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GENERAL

Historical Analysis of West's Goal of 'Peaceful Evolution'

OW1511104689 Beijing BAN YUE TAN
[SEMIMONTHLY TALKS] in Chinese
No 19, 10 Oct 89 pp 56-59

[Article by Rui Bian (5360 6708): "The Strategic Goals of the West in Promoting 'Peaceful Evolution'"]

[Text] The basic strategic goals of the U.S.-led Western world are to subvert socialist states, overthrow the leadership of communist parties, negate Marxist ideology and restore a united capitalist world.

Western countries have never abandoned these strategic goals in the 70 years or so since the first socialist state was born in the world.

Which of the following government leaders of Western powers did not want to promote peaceful evolution in socialist states: Former U.S. Presidents Harry Truman, John F. Kennedy, Richard Nixon, and Ronald Reagan, and incumbent U.S. President George Bush; former U.S. Secretaries of State Dean Acheson, John Foster Dulles, Henry Kissinger, and George Shultz; former and incumbent British Prime Ministers Winston Churchill and Margaret Thatcher; former and incumbent French Presidents Charles de Gaulle and Francois Mitterrand; and former and incumbent West German Chancellors Konrad Adenauer and Helmut Kohl. Their firm class stands, clear-cut ideologies, and fierce "strategic intentions" are known to the world.

The reason is simple. These people viewed the existence of socialist countries as the greatest threat to capitalism and as something that "would definitely bring no joy" to the West. Therefore, they could never tolerate the existence and development of socialist states.

In his swearing-in speech on 15 January 1953, former U.S. Secretary of State John Foster Dulles said, "As long as Soviet Communism reigns over one-third of the present world population and as long as it attempts to expand its rule to many other countries, we can never have lasting peace and a happy world." On 24 October 1958, Dulles, in a statement issued in the White House, said slanderously that "Chinese Communism is a fatal peril." He proclaimed the intention of "bringing freedom to all of China through peaceful means." In his 1984 book entitled *Genuine Peace*, Nixon said, "Communism is an ideological plague of the lymph nodes. The first demand of justice is that we must stop further expansion of communism." The Western monopoly capitalist class evidently sees communism as a great scourge and wants to eradicate it to spare future trouble.

I. The Proposition of "Peaceful Evolution"

How would the Western countries led by the United States realize their strategic goal of overthrowing the leadership of communist parties?

First, they would simply launch an armed invasion in a futile attempt to "nip to death in the bud" the newborn socialist infant. From 1918-20, the imperialist Entente countries of Britain, the United States, France, and Japan waged an undeclared war on the sovereign Soviet Union. In the occupied territories, they disbanded the soviets, restored the old regime and carried out brutal mass shootings of soviet leaders (for instance, all 26 Bolshevik leaders were killed in Baku). They massacred large numbers of workers and peasants. The so-called international law, "democracy, freedom, human rights and the freedom and right of people to choose their own form of government and lifestyle" were utterly "forgotten." However, the military invasion of the 14 countries was brought to a disgraceful end. Instead of being nipped to death in the bud, the socialist infant was able to grow strong. After World War II, socialist countries multiplied, making it difficult for imperialist nations to destroy them militarily. Consequently, George Kennan, then U.S. charge d'affaires to the Soviet Union, sent an "8,000-word cable" to Washington in 1946 proposing for the first time a strategy of "containment" and emphasizing the need to "use nonmilitary means" in promoting "peaceful evolution" in the Soviet Union and in "transforming the character of socialist regimes." The strategy of "containment" was soon formally declared as "the Truman doctrine." "Peaceful evolution" was thus forcibly and ignominiously brought into being.

II. The Traits of the Western Strategy of "Peaceful Evolution"

1. **Consistency of goals.** "Peaceful evolution" had its ups and downs from the late 1940's until the early 1980's, when Western countries focused on military "containment" of socialist states. However, it was passed from generation to generation and was never abandoned.

Former U.S. Presidents Harry Truman, Dwight Eisenhower, John F. Kennedy, and Lyndon Johnson promoted the strategy of "containment" of communism. They stressed military means and waged several wars. After the Japanese surrender in 1945, the United States first provided financial and military assistance to Chiang Kai-shek to help him in the Chinese civil war and later, in what constituted direct involvement in the war, dispatched its own troops to China.

After U.S. assistance to Chiang in the fight against the Chinese Communists suffered a crushing defeat, former U.S. Secretary of State Dean G. Acheson on 5 August 1949 published a white paper entitled "U.S.-Chinese Relations" and a letter to Truman. The documents recommended promoting the strategy of "peaceful evolution" internally with the help of "democratic individualists" in China and called for pinning hopes on future Chinese generations. Truman, however, could not wait,

and 10 months later, in June 1950, the United States assembled the troops of 14 countries and flagrantly waged the Korean war under the banner of UN troops. After yet another rout, Truman and his aides once again played up "peaceful evolution" and declared their intention to implement fully the "noble strategy" of "winning victory peacefully." After losing in the invasion of Korea, the United States waged the Vietnam war and tried its best to prevent the restoration of China's legitimate membership in the United Nations. It also imposed comprehensive military containment and an economic blockade against socialist countries. In the 30 years or more after World War II, the United States has spent hundreds of billions of dollars and lost millions of troops trying to eradicate socialism.

While stressing military means, some prominent figures of the Western monopoly capitalist class did not forget the strategy of peaceful evolution to "gain victory without having to go to war." In the early 1960's, when the East and West were engaged in a sharp military confrontation, former U.S. President John F. Kennedy recognized that the West "was not capable of liberating Eastern Europe." He maintained that the policy of "liberation" proposed by Dulles had been proved an illusion. He called for "cultivating one's own seeds through any crack in the Iron Curtain" as a way of "transforming" socialist states through "assistance, trade, travel, news reporting, and exchanges of students and teachers."

2. Waiting for an opportunity to launch an offensive. After the end of the Vietnam war in the mid-1970's, the West turned its attention to "peaceful evolution."

In the early 1980's, a wave of reforms swept through almost all socialist countries. Some socialist nations have made significant progress in reforms. However, reform, as an extremely complicated process affecting the interests of all social classes, inevitably has given rise to sharp contradictions and conflicts. Because of a lack of experience, errors and setbacks are unavoidable in the course of reform and readjustment. Western nations have gloated over these problems and were heartened by them, thinking that "communism has failed" and that "a long-awaited historic opportunity has come."

Based on such subjective assessments of the situation, anticommunist forces in the West pushed for an offensive against socialism. In his book entitled *The Leader*, published in October 1982, Nixon remarked: The communist world "has undergone changes." The West "can expedite these changes." And the "hope of Western countries lies in this process." Thatcher, addressing the inaugural ceremony for the International Democratic League (also called the Conservative Party International) [name of organization as published] in June 1983, proclaimed that peaceful transformation of socialist countries is the "common goal" of Western nations. Deploing "frequent statements and insufficient actions" in the past, she emphatically called for "taking resolute action," "launching an offensive," and "lighting

the lamp of hope for people starved for freedom" by fully tapping "the vast resources for developing modern science and technology" possessed by the West. In his February 1985 State of the Union address to the U.S. Congress, Reagan proclaimed that the United States must launch a "revolution to bring the hope of world peace and human freedom to places outside U.S. boundaries." In his March 1986 foreign policy address, Reagan undisguisedly said that the United States must "enforce powerful leadership" over the world. He added that the U.S. goals were to "promote world democratic revolution" and to "sway the development of events with American ideals." With the signing, at the end of 1987, of an intermediate-range ballistic missile treaty between the United States and the Soviet Union, world tension was eased, leading to a substantial increase in economic, cultural, and personnel exchanges between the East and West. This has improved the chance for Western countries to infiltrate the socialist states. U.S. Deputy Secretary of State Whitehead, on his sixth tour of Eastern Europe in October 1988, said with excitement: "Eastern Europe is undergoing rapid changes. At this important crossroads, the West should seize this historic opportunity." In April of this year, the Polish Solidarity trade union was legalized. Bush visited Poland and Hungary in July and later described his trip as "extremely satisfactory." He claimed that "communism is collapsing quickly" and that the West should take action to "speed up this process."

3. Coordinated actions. While sharing common interests in changing socialist countries through peaceful evolution, countries in the West differed in appraising the situation and in adopting specific measures. Thus, after visiting Poland and Hungary, Bush said that "drawing up a coordinated policy is a task of primary importance" for the West today. Under his direction, the heads of government of seven Western countries acted unconventionally when they met in Paris from 14 through 16 July by giving precedence to political issues over economic issues. The meeting coordinated the seven countries' peaceful evolution strategies and decided that the European Community should take the lead in drawing up specific measures for assisting Poland and Hungary. During the meeting, Japan assured Bush that it "would participate in the U.S. East European strategy."

The West then acted swiftly after the meeting of the heads of government of the seven countries. On 17 July, the day after the meeting, the European Community declared that it would immediately "start to carry out the assignments the meeting had given it." On 1 August, ambassadors and senior officials of 24 Western countries met in Brussels to study matters concerning implementing the plan to assist Poland and Hungary. The meeting "unanimously agreed" to facilitate the export of commodities of these two countries to the 24 countries and encourage foreign investment in these two countries. After the meeting, Bush promptly sent a message to Delors, president of the EC Commission, speaking highly of its accomplishments. The message said: "With

initiatives like yours, we can do a lot to make sure that such a historic moment is not lost."

The strategic goal of the West to hasten peaceful evolution has always been the same, and this goal has become increasingly explicit and specific, namely, promoting political pluralism, economic privatization, and Westernization of society in socialist countries. Facts show that the struggle between capitalist countries and socialist countries in promoting evolution and countering evolution and in carrying out infiltration and countering infiltration will become increasingly acute and vigorous, and that we must increase our awareness, remain alert, and never lower our guard.

Speculation on 'Postnuclear' Era Strategy

90ON0053A Beijing JIEFANGJUN BAO in Chinese
1 Sep 89 p 3

[Article by Zhao Pingan (6392 1627 1344): "Analysis of the 'Postnuclear Age'"]

[Text] Since the United States and the Soviet Union concluded the treaty on intermediate-range missiles and conducted earnest negotiations concerning the reduction of strategic nuclear weapons, some Western experts on strategic problems have put forward their predictions on what this "postnuclear age" will bring about. At the present time there is no generally accepted concept for the postnuclear age. In looking at this from the aspect of outside nations, it means that, with the world entering an age of "peace and development," in order to break free from maintaining a balance in strategic nuclear power and to throw off the heavy burdens of the nuclear arms race, the superpowers are, by conditionally carrying out a gradual reduction of nuclear stockpiles, seeking further progress in this new realm of things and are striving for strategic superiority in the transitional period. There are many predictions, depending on how you look at the international situation and especially the situation of international military conflicts. This author will limit his discussion to a few perceptions in the area of nuclear strategy.

The postnuclear age will not be a nonnuclear era. According to calculations by foreign experts, the United States and the Soviet Union would need to retain only about 5 percent of their current nuclear weapons to satisfy their national requirements. The conclusion has been drawn that nuclear weapons may be reduced even more, but, due to the fact that the current stage of conventional weapons still cannot replace the special role that nuclear weapons play, they will not be totally eliminated. There is a continuing international controversy concerning nuclear war and nuclear weapons and the strategic development of these can satisfy political objectives by making these weapons smaller, tactically oriented, and for use in a more contained area (in reality, the trend in new nuclear weapons development has already been directed toward these areas). As a result, simply saying no to nuclear weapons is not a solution to

this controversy. In retrospect, even if the actual nuclear warheads are destroyed, it will be impossible to wipe out the technology for constructing nuclear weapons. Therefore, the approaching postnuclear age signifies only the declining strategic value of nuclear weapons and that we "should not rely merely on a nuclear threat." What it requires is coordinated development of both nuclear and conventional weapons and support of a strategy that includes the combined threat of nuclear and conventional weapons or the individual threat of these weapons.

There is a dual trend of reduction and development in the postnuclear age. The United States and the Soviet Union have already decided on what portion of their nuclear stockpiles are necessary and which are excessive, with only the excessive portion being affected by the disarmament and the necessary portion being exempt. In addition to this, the United States and the Soviet Union are both working on developing even newer nuclear weapons and increasing the survivability and reaction time of these weapons. As for countries that possess intermediate-range missiles, because of national security concerns, they should not lightly give up limited-range nuclear weapons and, also, the reduction in the superpowers' nuclear stockpiles gives these countries an opportunity to shrink the existing gap in number and quality of weapons between them and the superpowers and to leap into the ranks of the world powers. For this reason, after the intermediate-range missile treaty was concluded, the military and government leaders of West European countries held consultations and called for an increase in their own nuclear strength. In addition, stressing the defensive nature of nuclear weapons and beginning to reduce their nuclear stockpiles has caused the United States and the Soviet Union to gradually lose their attractiveness to allies to whom they promised nuclear protection, and could provoke a new nuclear proliferation. It has been proved by available data that another 20 nuclear nations will emerge by the end of this century.

The strategy in the postnuclear age will be one of ensuring mutual existence. During the nuclear age, the United States and the Soviet Union held on to a strategy of guaranteed mutual destruction with the result being a buildup of nuclear weapons that could destroy mankind (including themselves) many times over. This caused them to fall into a situation where it was difficult to ensure their existence. In planning the strategy for today's postnuclear age, experts on strategic problems have switched their focus from "guaranteed mutual destruction" to "ensured mutual existence." The strategy of the United States during the first part of the next century has been clearly put forward as "needing to employ its strength in the area of mutual existence." In the past, the superpowers regarded nuclear power as offensive, but are now considering the defensive nature of nuclear weapons and are stressing the development of systems for defense against nuclear attack.

The postnuclear age will be an age of "piling up nuclear weapons in space." During the 40-odd years since World

War II, nuclear weapons have been an important indication of a country's strength and international position. To a certain degree, any country that has nuclear weapons can ascend to the ranks of the world powers. When entering into the postnuclear age, it will be difficult to break free from maintaining a balance of power, because of the excesses and state of the arms race, especially with the rapid development of modern technology providing the means for developing space weapons. Under these conditions, the United States has pushed its "star wars" plan that has attracted worldwide attention. The Soviet Union is also secretly developing space weapons. Both of these countries are planning to achieve strategic superiority by using the realm of space. Since nuclear and space weapons will be the two strategic keys in the postnuclear age, some scholars in this country believe that the postnuclear age will be an age of "piling up nuclear weapons in space."

It can be seen from the above analysis that the so-called postnuclear age of today exhibits a few clues, but does not yet form a firm picture of the situation. For this to become reality will require a long period and may waver from one situation to another. At the very least, it can be said that nuclear weapons will not be withdrawn from the theater of combat in this century and that the nuclear threat will continue to play an important role in military strategy and international relations. In addition to maintaining a high state of vigilance concerning nuclear threat, we should also closely watch the developmental changes in the international situation and pay attention to research and preparations for the various trends of the postnuclear age. We should nurture our own strategy to follow the constantly changing international environment in order to obtain the initiative in any future wars.

Analysis of Poland's Successful Democracy Movement

40050679A Hong Kong CHENG MING in Chinese
No 142, 1 Aug 89 pp 26-27

[Article by Ming Lei (2494 5628), CHENG MING special correspondent in Paris]

[Text] Adam Michnik is a well-known Polish historian who became Solidarity's theoretician and Lech Walesa's leading adviser after the Workers' Solidarity Union was established. Poland's future national blueprint will be drawn chiefly from Michnik's ideas. He has made great contributions to establishing a democratic system in Poland. When the Polish Communist Party and opposition factions held a historic "roundtable conference," he was one of the conferees accompanying Walesa to the meeting, and was an important figure in the negotiations between Solidarity and the government.

Coalition Between Workers and Intellectuals

Since Solidarity was legalized again in early 1989, the Polish Communist authorities have permitted the union to formally publish an independent newspaper and

weekly. On 8 May 1989, with Michnik as editor in chief, GAZETA, the first opposition paper, was published. Well received by the people, the publication assumes an important role in providing social comment and reflecting public opinion.

The 9 May issue of GAZETA, the day after it began publication and on the eve of Poland's historical election, printed an important editorial written by Michnik. Readers concerned about democratic government in China, particularly after martial law was ordered in Beijing to suppress the prodemocracy movement, will find this article deeply thought-provoking. While the article is not long, it very clearly grasps the reasons why evolution of Poland's opposition movement and the military dictatorship government both showed results opposite of that anticipated. Besides the economic bankruptcy brought on by military rule, the opposition movement was also helped along by Soviet political glasnost and anti-Stalinism, from which a true path for true socialistic democracy was carved. Michnik even said: "The stage of agreement that we have now reached is only a transition, not the final goal that we must pursue with perseverance."

In recalling how the democracy movement in China has suffered repeated failures in recent years, the greatest mortal injury was the absence of a worker-intellectual coalition, similar to Poland's Solidarity Union. Particularly in Chinese society where intellectuals comprise a very small minority, the working class comprises the great majority, which allows it to control the economy's lifeblood. Objective facts have compelled the revolution in China to occur as a revolution by workers and peasants, but it is necessary for intellectuals to cooperate with them. A revolution ignited only by intellectuals without the participation of armies of workers is only a revolution within an ivory tower, forever weak. While the scope of the student democracy movement this time is not large, the small numbers of workers truly participating in it is hardly worth mentioning, leaving the movement to stop at the stage of "rebellion by scholars."

Only Economic Sanctions Can Make the Chinese Communists Give In

After the student's prodemocracy movement was bloodily suppressed and failed, the second misfortune the democracy movement in China encountered was the reluctance of the Western nations to join in strong economic sanctions against the Li Peng government. Such an attitude compared to the severe economic sanctions the West had applied at the time to the Polish military regime, demonstrates again the double standard of Western nations. Because of international strategic needs, Western nations are reluctant to isolate China in such a way as to again result in a Sino-Soviet alliance. Under such circumstances at present, the Chinese Government can, without fear, trundle out the Soviet connection whenever it wishes to achieve its fascist purpose. Politically, Western nations support reform, openness, and a democracy movement in China, but economically,

they indirectly tolerate a fascist government—two approaches which are contradictory in both theory and practice. We only need to see that cries for reform in all socialist countries at present are the result of economic problems. From this, we can imagine how totalitarian nations that overlook and lend a deaf ear to the will of the people can only be made to give in when faced with strict economic sanctions. If we say Western governments are afraid that economic sanctions will hurt the Chinese people, then I think the Chinese people would rather endure temporary hardships from economic sanctions in exchange for enduring democratic freedom, without following a fascist government forever.

Michnik was right when he said in his article, "If military actions result in wallets full of money for the people, and stores are well supplied with goods and commodities, those in power have no need whatsoever, to have a roundtable conference with us." The idea is that Solidarity's final victory was strengthened indirectly, in part, by the joint economic boycott imposed by foreign countries. If Li Peng's military fascist government meets with economic disaster, it is unlikely he would last long. However, nobody should dream that such a government would automatically effect true democratic reforms in the political system.

WEST EUROPE

Trade Between Norway, Taiwan Expected To Increase

90EN0057A Oslo AFTENPOSTEN in Norwegian
27 Oct 89 p 25

[Article by Terje Svabo: "Ready for Increased Trade Between Norway and Taiwan"; first paragraph is AFTENPOSTEN introduction]

[Text] While relations between Norway and China have been embittered by the awarding of the Nobel Peace Prize, an important step toward increasing trade between Taiwan and Norway has been taken.

Hong Kong, 26 October 1989—The official opening of the Norwegian Trade Office Taipei took place on Monday, 23 October 1989. That made Norway the 14th European country to get a trade office in the dynamic country of Taiwan. The manager of the office is Tor S. Andresen, who formerly was Norway's Export Council's representative in San Francisco.

Complicated

Opening a trade office in Taipei cannot be said to be an uncomplicated proposition if one has diplomatic relations with Beijing. China does not like countries that recognize Beijing diplomatically to have official contacts with Taiwan too. The little island east of continental China is run by the Nationalists (the Kuomintang), who lost the civil war with Mao Zedong and the communists

in 1949. Both Beijing and Taipei think that they represent all of China. Taiwan's own official name is the Republic of China, in contrast with the People's Republic on the continent.

After many years of explanations and negotiations, especially under the direction of Norway's Export Council, Norway has finally succeeded in finding a formula for stating its case in such a way that China will not have any reason to be offended over the establishment of the trade office. China trades with Taiwan itself, so there will not be any reaction as long as the office deals with commercial activities.

NHO Opened

Therefore the trade office has been opened under the aegis of the Principal Organization of Business (NHO) rather than the semiofficial Export Council. Norwegian shipping companies that have considerable interests on Taiwan are also deeply involved in financing the office. Thus, the NHO's vice president, Fredrik Thoresen, and director Arild Wegener of the Norwegian Shipowners Association were present on the Norwegian side at the opening on 23 October 1989.

Tor. S. Andresen told AFTENPOSTEN that more than 100 invited individuals came to the opening on Monday, 23 October. Among them were Deputy Foreign Minister C.J. Chen and the general secretary of the Euro-Asian Trade Organization, Wellington Y. Tsao, who led a trade delegation that visited Norway in May 1989. There was 986.2 million kroner worth of trade between Taiwan and Norway in 1988. The corresponding figure regarding trade between China and Norway was 1.1495 billion kroner, but Norway imported more from Taiwan than from the People's Republic of China.

Great Interest

Only 20 million people live on Taiwan, but that country has the second-largest currency reserves in the world and is interested in using more money in trade with foreign countries. Andresen says that the office has already received a number of serious inquiries from Norwegian enterprises. Some of those enterprises have gotten assistance from Taiwan's trade office in Oslo in the past.

According to Andresen, ship and fishery equipment, chemicals, cardboard and paper, fish products, and communications equipment are among the fields where Norway can play a prominent role on Taiwan.

EAST EUROPE

GDR Leader Reiterates Role of Party

OW3110101589 Beijing XINHUA in English
0218 GMT 31 Oct 89

[Text] Berlin, October 30 (XINHUA)—The socialist orientation of the German Democratic Republic is out of

question [as received] and the leading role of the German Socialist Unity Party (GSUP) not to be underestimated.

Egon Krenz, general secretary of the GSUP and chairman of the State Council, said this here today in his address to 450 military graduates and officers returning from overseas studies.

The official ADN news agency today quoted Krenz as saying that the party can find the solutions to the problems the country is facing by learning from past experiences and gaining the support from its two million party members.

While pointing out some shortcomings of the party, such as lack of criticism and self-criticism and an unrealistic estimation of the situations, he stressed the importance of the unity of the party which is the guarantee of the unity of the whole country.

Krenz said the ongoing changes within the country will not deviate from socialism, but will strengthen it.

The Democratic German leader urged the officers and men of the three armed services to safeguard state security and the country's socialist economic construction under the leadership of the party and implement the military commitment of the Warsaw Pact organization.

Changes Viewed in Hungarian Political Environment

HK1311062589 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 44, 30 Oct 89

["Special Dispatch from Budapest" by Zou Guochang (6760 0948 2490): "A Special Party Congress"]

[Text] Budapest—A Hungarian party congress was convened in Budapest from 6 through 10 October. It was an extraordinary and unusual party congress. It was extraordinary because it started out as the party congress of the Hungarian Socialist Workers' Party, which decided to change its name to the Hungarian Socialist Party, and, therefore, became the party congress of the Hungarian Socialist Party. It was unusual because it was originally scheduled to take place in 1990. However, due to the rapid changes in the situation within the party and inside the country, the party congress had to be convened ahead of schedule.

Since May 1988, when the party congress of the Hungarian Socialist Workers' Party was convened, Hungary has experienced rapid changes, culminating in a turning point in its political situation. Amid cries for a "multi-party system" and "pluralism," opposition parties founded themselves one after another. There have been nine opposition parties along with the ruling Hungarian Socialist Workers' Party, and, together at a "round table conference attended by the three sides," they discussed Hungary's major political and economic problems and made decisions. These opposition parties were originally

prepared to oust the Hungarian Socialist Workers' Party from the government in the nationwide election to be held this coming spring. In autumn of this year, some localities held by-elections for members of the National Assembly, and all the positions were won by the opposition party—the "Hungarian Democratic Forum"—this indicated that various opposition parties constituted a real threat to the continued reign (or joint government) of the Hungarian Socialist Workers' Party.

In the process of "reevaluating the past 40 years" and "getting rid of all the residue of the Stalinist model," ideological confusion appeared within the Hungarian Socialist Workers' Party. Regarding some concrete problems, such as the evaluation of the October Incident in 1956, the pros and cons of disbanding the Workers' Guards, and the achievements, if any, of the past 40 years, there have been large differences of opinion within the party. Due to differences in viewpoints, some cliques were formed within the party, and each of these cliques has its own coordinating organ and formed its own system; with the freedom to hold clique meetings, they actually became parties within the party. Among the most senior leaders of the party there have also been disputes, with each person supporting only his own clique. The great masses of party members were dissatisfied with this situation, and many of them quit the party. During the first 9 months of the year, 10 percent of the party members quit the party. The Hungarian Socialist Workers' Party was in danger of disintegrating and was in a very difficult situation. This was the situation before the convention of the unusual party congress.

The way the party congress was convened was also truly extraordinary. Not only do the deputies form delegations according to their states, they also form delegations according to their cliques. On the first day of the meeting, there were seven cliques, which developed into nine later on. The biggest clique in the party congress was the "Reformist Program Group," which has about 600 deputies and which aims to build a new party, pass the new party constitution and party program, and establish a new leadership. Second to it was the "People's Democratic Program Group," which has about 300 deputies. The party congress was actually an occasion for activities by cliques to take place, and the major documents and personnel arrangements were first discussed and coordinated among the various cliques before being handed over to the party congress for discussion and adoption. Because the "Reformist Program Group" enlisted a great number of people and united with the "People's Democratic Program Group," the party congress was in reality controlled by these two cliques. Under this situation, it was only on the second day of the meeting that the party congress announced the founding of the "Hungarian Socialist Party" and immediately discussed and adopted a new party constitution and party program, as well as electing the new party's leading organ. Rezso Nyers, former president of the Hungarian Socialist Workers' Party, was elected president of the

Hungarian Socialist Party. Commenting on the nature of the Hungarian Socialist Party, Rezso Nyers said, "The Hungarian Socialist Party was born within the Hungarian Socialist Workers' Party, but it is a new party that is totally different from its predecessor." He said again: "The Hungarian Socialist Party is not a communist party nor a socialist democratic party; it is a leftwing socialist party that absorbs the values of a communist party on the one hand and the values of a socialist democratic party on the other."

If we compare the party constitution of the Hungarian Socialist Party with that of the Hungarian Socialist Workers' Party, we can see the difference between the two parties. The Hungarian Socialist Workers' Party declared itself "a communist party and the revolutionary pioneer of the working class," while the party constitution of the Hungarian Socialist Party announced itself to be "a party of people who earn their incomes with their labor, of small operators, and of the Hungarian people and other ethnic compatriots." The Hungarian Socialist Workers' Party sees building communism as its ultimate goal, whereas the Hungarian Socialist Party says its goal is "democratic socialism." The Hungarian Socialist Workers' Party views Marxism, Leninism, and proletarian internationalism as its guiding thought for activities, but the party constitution of the Hungarian Socialist Party does not mention any guiding thought, and it merely emphasizes that the party is "built upon the historical traditions and values of the Hungarian people."

In Hungary there have been different responses to this party congress. Many people applauded, saying that the party congress was "a victory of the reformist group," and "an important stage in the democratic process in Hungary." People with other opinions condemned the party congress as "a major setback in the history of the working class movement in Hungary" and as "serving restoration of capitalism." A portion of the general public did not show any interest in the matter.

Although the new Hungarian Socialist Party has been established, it now faces many problems.

First, how many party members can the Hungarian Socialist Party win for itself? During the party congress, there was an overwhelming majority in favor of establishing a new party (1,005 votes to 197). But among the deputies, very few were industrial workers. At present, many members of worker parties have expressed their distaste with the name of the new party, which does not carry the word "workers," and some factory party branches have made statements opposing the stripping of the word "workers" from the Hungarian Socialist Workers' Party. Some party members are "puzzled" by the establishment of a new party, and many workers have said they would not join any party again.

Second, the new party is a product of compromise between various "reformist groups," and no sooner was it established than disputes between these groups appeared. Some so-called "radical" party members criticized the party congress as "not being thorough enough." The "People's Democratic Program Group" also talked freely about the difference between them and the "Reformist Program Group" at a press conference.

Third, in the party congress, there were 197 deputies who did not consent to the idea of establishing a new party (among them, 159 persons were opposed and 38 abstained). The majority of them were in favor of preserving the Hungarian Socialist Workers' Party. For example, Karoly Grosz, the party's general secretary, and Janos Berecz, former member of the Political Bureau, also held this viewpoint. At present, the Hungarian Socialist Workers' Party is disbanded, but some people have advocated its reestablishment. The "Marxist Unification Group" says that it will join forces with other groups in reestablishing the Hungarian Socialist Workers' Party and has called upon party members throughout the nation to remain in the party. There are some other party members who are planning to found the "Hungarian Communist Party."

It seems that various kinds of struggle and conflict in Hungary will intensify, and various forces in the international community will exert their influence and try to manipulate things. From now on, the situation in Hungary will become more complicated.

NATIONAL AFFAIRS, POLICY

Explanation of Venture Guarantee Funds in Contract System

90OH0030B Beijing ZHONGGUO JINGJI TIXHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 7, 23 Jul 89 pp 54-55

[Interview with member of the Cadre Training Department of the State Restructuring of the Economic System Commission by unnamed correspondent; date, place not given: "Reportage on Venture Guarantee for All Personnel in the Contract System"]

[Text] [Question] What are the meaning and the roles of venture guarantee for all personnel in the contract system?

[Answer] Venture guarantee for all personnel in the contract system is a form of management in which enterprise managers and all staff members and workers put up set amounts of venture guarantee funds in order to assume the economic responsibility (or part of the operating risk) during the enterprise contract period.

Venture guarantee for all personnel in the contract system improves the risk mechanism and plays the following important roles in further perfecting the contract management system:

One, it shows that all staff members and workers are the major contractors and managers of enterprises, builds closer relations between them and their managers, improves their management consciousness and concern for enterprise assets, contributes to improving their mass management consciousness and sense of democratic control, and helps to bring their initiative, intelligence, and creativity into full play.

Two, it improves self-control and contributes to eliminating short-term activities of enterprises, while transforming some consumer funds into production funds and helping to curb the increase of consumer funds.

Three, it makes enterprises more responsible for their losses, helps them to make their own decisions and assume full responsibility for their profits or losses, and is a certain guarantee of state revenue.

Four, it speeds up the diversification of enterprise assets. Since the venture guarantee funds that are put up by staff members and workers can gradually evolve into individual shares and become individual property within enterprises, they speed up the diversification of enterprise assets.

[Question] How and according to what formulas are the amounts of venture guarantee funds set?

[Answer] Scientific standards and measurements are the key to whether the amounts of venture guarantee funds

can make enterprises more responsible for their losses and turn risk pressure into a motivation for making up deficits.

As to how the total amounts of venture guarantee funds are set, enterprise venture guarantee funds are composed of the following two parts: 1) enterprise funds; 2) the individual venture guarantee funds that are put up in cash by all staff members and workers. Their amounts can be set according to the following formula: The total amount of the venture guarantee fund equals the contract base figures times the risk coefficient. The contract base figure is the profit margin in the contract bid (or the fixed asset appreciation index). The risk coefficient expresses the parameters of the contract risk assumed by the enterprise, and is a selected value between 0 and 1. Risk coefficients can generally be slightly higher for enterprises that have larger contract base figures and greater operating risks and slightly lower for those that have smaller contract base figures and less operating risks.

As to how the amounts of venture guarantee funds that individuals should put up are set, the system of venture guarantees for all personnel in the contract system are now being carried out in all areas mainly according to either the graded or the coefficient method.

The graded method determines the amount of venture guarantee funds that individuals should put up directly base on the amounts of responsibility, authority, profit, and assumed risk of all enterprise that the individuals take.

The coefficient method bases the amounts of venture guarantee funds that individuals should put up on the individual responsibility coefficients for all personnel. It can be calculated according to the following formula: The individual venture guarantee fund base equals the total risk fund minus the enterprise funds, all divided by the sum of the individual responsibility coefficients for all personnel. The individual venture guarantee fund base is the amount of venture guarantee funds that ordinary workers should put up, while the amounts of individual venture guarantee funds that other personnel should put up equals the individual venture guarantee fund base times the individual responsibility coefficient. The individual responsibility coefficient for workers is 1, and that for other management personnel increases progressively according to the amount of their responsibility.

Venture guarantee funds can be guaranteed in many forms, such as guarantee of the job, guarantee of the unit, guarantee of jobs that are dynamic, or guarantee of jobs that are static. Risk, responsibility, and contract targets are broken down for all management levels, jobs, and individuals, while staff member's and worker's wages, bonuses, and venture guarantee funds are linked to fulfillment of their contract target duties.

Guarantees for static jobs are one-time guarantees paid in cash that are based on the amounts of venture

guarantee funds that individuals should put up (those who have difficulties in paying them all at once can pay them in installments), and it is not recommended that property or material objects be used as security.

Guarantees for dynamic jobs are part of everyone's wages and bonuses that are put up every month and fluctuate according to monthly assessments of the fulfillment of contract targets.

[Question] How are venture guarantee funds used and managed?

[Answer] Venture guarantee funds can be used in the following ways: One, the venture guarantee funds that are put up by individuals can be deposited in banks as security, and enterprises cannot divert them to any other purpose. This gives them a strong guarantee and makes it hard for enterprises to use them to earn profits by increasing the value of their assets. Two, venture guarantee funds can be used as enterprise circulating funds. Although this can help enterprises borrow less from banks for circulating funds or increase their operating funds, it makes it hard for them to make up losses immediately. 3) Venture guarantee funds can be used as a "short, safe, and quick" technique to raise funds for projects or to develop tertiary industries. Although this makes it feasible for enterprises with low risks and long-term contracts to make short-term investments, it forfeits the security function of venture guarantees, should be used carefully, and is not recommended for most enterprises.

As to their management, venture guarantee funds should be specially accounted for and managed, and detailed rules and regulations based on actual enterprise conditions should be drawn up for them for things, such as collection, payment, use, security, interest calculation, and remuneration.

Venture guarantee funds should have the same security period as the contract period. Those that are not returned to their owners when the contract expires can be moved into the next contract period as venture guarantee fund appreciation or individual shares.

[Question] How are losses made up from and remuneration paid for venture guarantee funds?

[Answer] Based on the principle of risks equalling rewards, enterprises that sustain losses should make up profits that they owe from venture guarantee funds, and those that fulfill or overfulfill their contract bases should have interests calculated and remuneration paid for individual venture guarantee funds, according to the following specific methods:

1) Enterprises that do not fulfill their contract bases for the year may make up profits that they owe from individual venture guarantee funds first; and then, from enterprise funds, to ensure payment of profit margins, or they may make up their losses from enterprise funds

first, and then from individual venture guarantee funds, when enterprise funds are inadequate.

2) Enterprises whose losses are less than their venture guarantee funds can make up their losses from relevant proportions of individual venture guarantee funds and enterprise funds. Interests will not be calculated on that part of these funds that are used to make up losses during the security period. Those that overfulfill their contract bases in the following year and have already made up the profits that they owed the previous year, should be fully compensated for the security that they have already paid.

3) Enterprises that fulfill their contract bases for the year will have interest calculated on, but will not be paid risk remuneration for, their individual venture guarantee funds. The interest rates will be the same as bank interest rates for circulating fund loans or guaranteed value savings, and the interest will be included in costs.

4) Enterprises that overfulfill their contract bases will have interest calculated on and be paid remuneration for their individual venture guarantee funds, that can be used as operating funds. This remuneration is called risk remuneration and can be collected according to the following formula: Risk remuneration equals all individual venture guarantee funds times the risk remuneration rate. The risk remuneration rate should not be higher than the enterprise's annual fund profit margin. When applying this formula, appropriate adjustments can be made for different trades that have great disparities in their fund profit margins. The calculated interest and the amount of remuneration paid should not be more than 25-30 percent of the venture guarantee fund, and the part that is not collected can be kept as individual venture guarantee fund appreciation.

5) Risk remuneration funds can be collected from the following three sources: (a) enterprises that link payrolls to economic efficiency can collect risk remuneration funds from increased wages, and the risk remuneration funds collected will be exempt from wage adjustment taxes; (b) ordinary enterprises can collect them from the bonus funds of their staff members and workers, and they will be exempt from bonus taxes; (c) a fixed percentage can be collected from super profits.

Xiamen Unifies Enterprise Income Tax System

40060012A Fuzhou FUJIAN RIBAO in Chinese
5 Oct 89 p 1

[Text] Separation of taxes from profits means that the government, as social administrator, levies a unified income tax on profits earned by all enterprises. At the same time, as owner of state assets of enterprises owned by the whole people, the government shares in the distribution of government-owned enterprises' aftertax profits. In practicing this method, Xiamen unified the income tax system of enterprises and uniformly reduced by 15 percent the tax rate on income earned by locally funded enterprises under different forms of ownership.

At the same time, Xiamen abolished the regulatory tax on profits earned by large and medium-sized state-run enterprises. Moreover, they changed the system of repaying loans before taxation to repaying them after taxation, and employed the method of "first close the door, then offer a way out" in resolving enterprises' outstanding bank loans. Aftertax profits will be handed over to the state according to the contract responsibility system, and the amount will be rationally determined by profits made by a given enterprise in 1987, prior to the implementation of the contract system, as well as other factors, such as profit level, technical innovation, debt-repayment ability, and so forth in different types of enterprises.

PROVINCIAL

Shanxi Province Work Report

40060649A Taiyuan SHANXI RIBAO in Chinese
22 Apr 89 pp 1, 2, 3

[Article by Shanxi Provincial Governor Wang Senhao (3769 2773 3185): "Actively Carry Out the Policy of Improving the Economic Environment and Restructuring the Economic Order To Promote Steady Development of the Province's Economy and Society—Government Work Report Delivered to the Second Meeting of the 7th Shanxi Provincial People's Congress on 12 April 1989]

[Text] Delegates:

On behalf of the provincial people's government, I now present the government work report to the congress for its consideration.

A Review of Government Work During 1988

During the past year, the provincial government has diligently carried out the decisions of the first meeting of the 7th Shanxi Provincial People's Congress in active implementation of the CPC Central Committee's policy titled "Need for Further Stabilization of the Economy, and Need for Further Deepening of Reform," and the 3d Plenary Session of the 13th CPC Central Committee's guiding policy for improving the economic environment and restructuring the economic order, and the complete deepening of reform. Industrial and agricultural production, and all construction have steadily developed, the building of energy and heavy chemical industry bases has continued, and both city and country markets are alive. Social gross output value for the whole province is 11.5 percent higher than in 1987, and national income has increased 8 percent. Economic system reform has deepened further, and the opening to the outside world continues to expand. Building of the legal system has moved ahead; the political situation is stable and unified; improving the economic environment and restructuring the economic order has shown initial results, and new achievements have been made in various social endeavors.

I. Continued Advances in Economic Construction and Social Endeavors

1. More building of energy and transportation. A number of large and medium-size mine shafts and electric power generating units have been built and gone into production, adding 12.12 million tons of coal mining capacity, and 268,000 kilowatts of installed power generating capacity; 229 kilometers of multiple tracked electric railroad lines, and 45 kilometers of local railroads have been built, and 447 kilometers of highways have been newly built or rebuilt. The construction and coming on stream of these new projects gives added strength to the province's economic development. Gross output of raw coal reached 246 million tons, up 6.9 percent from 1987. The generation of 27.8 billion kilowatt hours of electric power was a 5.7 percent increase over 1987. Processing and conversion of coal has advanced rather rapidly; results from the making of coke from coal using indigenous methods have been outstanding; and outputs of machine-made coke, semi-machinemade coke, and washed coal increased substantially. During the past year, at a time of increasing shortage in supplies of coal and electric power and frequent curtailment of electricity, the province has allocated and shipped 175 million tons of coal to every part of the country, 13.96 million tons more than during 1987. It has transmitted 5.430 billion kilowatt hours of electricity to other provinces, the same amount as in 1987 in a positive contribution to economic construction throughout the country.

2. A fairly good agricultural harvest was brought in. Gross grain output reached 8.18 billion kilograms, up 14.8 percent from 1987. Cotton output was 86.79 million kilograms, up 11.5 percent from 1987. Output of oil-bearing crops, beets, fruits, and vegetables showed varying degrees of increase over 1987, and the number of large livestock animals, hogs, sheep and goats, and chicken in inventory also increased over 1987. A total of 2.175 million mu was afforested, 8.7 percent more than in 1987. The gross output value of agriculture for the province as a whole reached 5.52 billion yuan, up 12.5 percent from 1987. Rural enterprises prospered throughout the province, rural gross social output value reaching 21.780 billion yuan, up 15.8 percent from 1987. This included a 13.3 billion yuan gross output value for township and town enterprises, up 22 percent from 1987. New advances were made in helping the poor. Net per capita income reached more than 200 yuan in 34 out of 35 counties, 14 of which the State Council had decided were eligible to receive special discounted loan support, and 21 of which were impoverished counties. Much work was done in disaster fighting and rescue work for a reduction in the amount of damage that natural disasters caused.

The province's rather good agricultural harvest was largely attributable to fine weather and copious rainfall. Other important reasons were the serious attention of leaders at all levels, the deepening of rural reform, a rise

in peasant enthusiasm for production, increased investment in agriculture, and further spread of agricultural science and technology. Incomplete statistics show the expenditure of 218 million yuan in provincial, prefecture, and county government funds for agricultural production, 7.7 percent more than in 1987. Townships and villages used industry to help agriculture, spending 163 million yuan on the capital construction of agriculture, up 2.5 percent from 1987. Aggregate agricultural loans totaled 2.33 billion yuan, 23.9 percent more than in 1987. Peasant investment of a productive nature also increased 42.1 percent over 1987. All jurisdictions also fairly generally established accumulated labor investment work systems for farmland water conservancy construction, substantially increasing the investment of animate labor. The promotion of 10 techniques for increasing agricultural output also produced results. Changes were made in the supply of agricultural means of production, and methods for honoring the "three links in grain contract fixed procurement; priority was given to supplying electricity for agricultural use; and land care and protection was improved. All these things played a positive role in increasing agricultural production. Nevertheless, the province's agricultural foundation remains extremely weak, with no major improvement in agricultural production conditions, a decline in relative returns from agriculture, and a dwindling in the amount of cultivated land, all of which impair increases in grain production. Consequently, full appreciation of the unstable elements in the province's agriculture, further enhancement of the foundation for agriculture, and close attention to grain production remain key points for economic work in the province.

3. Sustained and consistent development of industry for rather good economic returns. In 1988, the gross output value of industry throughout the province reached 31.86 billion yuan, up 14.7 percent from 1987. If the output value of industry in villages and below is not included, gross output value was 25.41 billion yuan, or 12.2 percent more than in 1987. Industrial economic returns rose markedly. Comparison of local industrial enterprises within budget showed a 32 percent increase in income from sales in comparison with 1987 for a 33.9 percent increase in profits and taxes. Tax payments increased 24 percent; interest rates on capital increased 3.3 percent; the labor productivity rate for all personnel rose 7.9 percent; the number of deficit enterprises fell by 68, and the deficit declined 39.8 percent. Both the industrial structure and the product mix improved. The gross output value of light industry rose 13.3 percent over 1987, higher than the speed of increase for heavy industry. Output of means of production in very short supply such as steel, aluminum, pig iron, pharmaceuticals, and chemical fertilizer, and of readily marketable consumer goods used in daily life such as color television sets, cotton cloth, and synthetic detergents increased. The steady improvement rate for industrial product quality reached 82 percent, and the premium product rate rose from the 18 percent of 1987 to 22 percent in

1988. Military industrial enterprises did more in developing products for civilian use. Local enterprises under ownership of the whole people invested 1.37 billion yuan in renovation and transformation, 24.9 percent more than in 1987. Major problems in industrial production were a not very high level of enterprise administration, not very strong technical development capabilities, a serious shortage of electricity, insufficient safety in production, and too many accidents.

4. Increase in government revenues, and lively markets. During 1988, the government revenue situation was rather good throughout the province, receipts amounting to 3.9 billion yuan, up 16.2 percent from 1988. Government financial payments totaled 4.35 billion yuan, 7.2 percent more than in 1987. The increase in government revenues resulted partly from price rises; however, the main reasons were a sustained increase in production, and a rise in economic returns, which provided steady sources of revenue. Financial and tax departments intensified their tax collection and control work to insure fulfillment of financial revenue quotas.

Timely bank allocations of funds supported steady development of the economy throughout the province, loans for all purposes increasing 3.64 billion yuan, or by 18 percent over the beginning of the year. The insurance business continued to expand to play an ancillary role in the economy.

The buying and selling of commodities in city and countryside markets was brisk, social commodity retail sales grossing 16.32 billion yuan, up 27 percent from 1987. Total volume of country fair trade transactions increased 35 percent over 1987, accounting for 17 percent of gross social commodity retail sales. However, because of the sudden rise in prices, a commodity "panic buying spree" occurred everywhere, increasing the conflict between market supply and demand.

Foreign trade for the year showed exports totaling \$330 million in a 19.9 percent overfulfillment of plan. Foreign trade enterprises overfulfilled the province's export quotas contracted with the state.

Foreign economic and technical cooperation and exchanges saw new development. New Chinese-foreign joint ventures and cooperative enterprises throughout the province numbered 20, foreign traders investing \$14.48 million in contract funds. Thirteen technical import contracts were signed totaling \$3.5 million. A total of 109 United Nations and bilateral assistance projects were accepted, funds received amounting to \$2.3 million. Both tourism and labor exports also saw a certain amount of development for an increase in foreign exchange earnings from invisibles.

5. Science and technology became further oriented toward economic construction. With the gradual deepening of science and technology system reform, the vitality of scientific research organs increased, tens of thousands of scientific and technical personnel going into enterprises, or going to rural villages to provide

technical services. The implementation of key scientific and technical plans provided some new techniques, new technologies, new materials, and new equipment. The pace of "spark plans," aimed at the invigoration of the rural economy, quickened. During 1988, 230 scientific and technical achievements throughout the province received provincial level or higher science and technology progress awards, 12 of them national science and technology progress awards. Basic research, and soft sciences research increased, and academic activities and work in the popularization of science also scored new accomplishments. Reform of institutions' certifications and work on first time appointments to vocational and technical duties was substantially completed. Reform of enterprises' certifications was 80 percent completed.

6. Education developed further, the province's outlays for education increasing 22.5 percent over 1987, more than the rate of increase in government revenues. Rural villages instituted "three education" comprehensively planned integrated reform of basic education, vocational and technical education, and peasant adult education from which results are beginning to follow. Thanks to diligent propaganda and implementation of the "Compulsory Education Law," middle and primary school student dropout situation was brought under preliminary control. Eighty-five counties in the province instituted general primary education. Vocational and technical education developed further, and improvements were made in the structure of secondary education.

Some urgently needed, hitherto lacking specialties and some new and developing specialties were added to general higher education, the emphasis being placed on development of certain courses and specialties. The emphasis of adult education gradually shifted toward the on-the-job technical training of employed personnel. Teacher training saw further strengthening. Conspicuous problems today are the disjunction between education and the needs of society, and the rather poor ideological and political education given in schools. In some schools a situation has developed in which teachers detest teaching, students detest studying, and the quality of education has declined. These problems have stirred the concern of people in all walks of life.

7. New progress was made in cultural, health, sports, and planned parenthood endeavors. Literature and the arts, newspaper publishing, radio broadcasting, and television have played an active role in the building of socialist spiritual civilization. Traditional opera and folk singing and dancing have come alive, and new achievements have been made in literature, the cinema, and television. A number of outstanding works and outstanding middle age and young writers and artists have emerged. Radio broadcasting and television present a rich tableau. New discoveries have been made in archaeology. Rectification and control of cultural markets requires strengthening.

Medical and health work have adhered to diverse forms of medical service for a widening of the avenues of

development, playing a definite role in easing the problem the masses have in getting medical care and being hospitalized. Preventive health care was improved, most communicable diseases, and local diseases being brought under control.

Mass athletic activities developed further, and athletics for the old became lively. Womens' gymnastics and weight lifting scored outstandingly in both domestic and foreign competitions.

Planned parenthood work was carried out in a spirit of strict control of population growth, the trend toward another rise in the birthrate diminishing. Nonetheless, the natural rate of increase remains at 13.86 per thousand. The unplanned birthrate is high, multiple pregnancies, early marriage and early childbearing, secret births and leaving home to give birth are fairly serious problems. Population control is a daunting task.

8. New achievements were scored in urban and countryside construction and in environmental protection. In 1988, cities in the province completed construction of a number of urgently needed public utility projects that increased ability to supply water and gas. The greening of cities developed further. In the building of villages and towns, village and town plans centering around the building of market towns were readjusted and perfected.

Successes were scored in environmental protection. The trend toward deterioration of environmental quality began to ease in some places, and pollution was brought under preliminary control in some areas. Nevertheless, environmental pollution in the province, particularly pollution created by township and town enterprises, remains fairly serious. The total amount of pollutants discharged continues to increase. Greater efforts will be required to achieve the goal of coordinating environmental protection with the construction of bases.

9. More was done to build the legal system; social order was basically stable. A number of local rules and regulations were formulated with a view to establishing a new socialist commodity economic order. Thanks to sustained development of education to popularize the law, people's concept of the legal system gradually improved. While cracking down on criminal activities of all kind in accordance with the law, the advanced experiences of Hongdong County, and Yijing District in Taiyuan City were spread for a tackling of problems in a comprehensive way, mass prevention and mass control thereby being strengthened. The Chinese PLA Shanxi Provincial Military Region, garrison forces in Shanxi, and people's armed police contingents made new contributions to the economic construction and the social stability of the province. Currently, the social order situation is serious, major criminal cases showing a rising trend. Repulsive things such as the purveying of lewd materials, prostitution, and gambling have spread, and criminal activities in the economic realm are fairly serious. Long-term, unflagging efforts on the part of the whole society will be needed to solve social order problems.

The provincial government set up a system for gathering suggestions from the masses of people, thereby widening the people's avenues for taking part in and discussing government to make policy making democratic and scientific.

10. People's lives improved. The total staff member and worker wage bill was 6.58 billion yuan, up 20.3 percent from 1987. The average wage for staff members and workers reached 1,603 yuan, up 17 percent from 1987. Random sampling showed a 16.5 percent increase over 1987 in city and town family per capita income for living expenses, the amount reaching 846.70 yuan. Nevertheless, because of the overly rapid rise in prices, the real standard of living of a substantial number of city and town residents declined. Peasant per capita net income was 16.4 percent higher than in 1987 reaching 438.70 yuan. During 1987, 121,000 people awaiting employment throughout the province were placed. A total of 3.73 million square meters of new city and town housing, and more than 1,350 [sic] square meters of new rural housing were built. Social security continued to improve, the savings accounts of city and rural residents showing savings of 452.30 yuan at the end of 1988, up 27.2 percent from 1987.

II. New Advances in Economic System Reform

1. Enterprise reform gradually deepened. Contract management responsibility systems are in effect throughout industrial, transportation, and construction enterprises, and in commercial enterprises, producing fine results. Ninety-five percent of all budgeted industrial, transportation, and construction enterprises and city and town collective enterprises practice contracting; ninety percent of commercial enterprises have also instituted contracting and leasing. In a substantial portion of enterprises, the competition mechanism and risk mechanism have been introduced into contracting. Public bidding is used to select managers, enabling talented people who dare to venture forth and who are adept at administration to move into leadership positions in enterprises. Some enterprises are practicing pledge contracting [diya chengbao 2107 2131 2110 0545] for all personnel, and a number of enterprises have run pilot projects on optimized labor teams in a new exploration of ways to improve labor productivity rates. The full practice of contract management responsibility systems has given impetus to a separation of ownership rights from operating rights, arousing the enthusiasm of enterprise managers and staff members and workers for an initial improvement of enterprises' management mechanisms. During a time of currency inflation, price rises, insufficient electric power, and a shortage of both funds and raw and processed materials, an overwhelming majority of contract enterprises fulfilled or overfulfilled their contract norms, the amount of taxes and profits tendered, repayment of loans, and enterprises' retention of profits all increasing substantially for an improvement in enterprises' capabilities to accumulate funds themselves and to carry out their own technical transformation. Nevertheless, enterprise contract responsibility systems

have not yet been fully perfected. In a substantial number of enterprises, the self-limitation mechanism is fairly weak.

Lateral economic ties among enterprises have developed in depth and in breadth. Throughout the province, 17 entrepreneurial blocs that cross geographical, departmental, trade, and ownership lines for which large and medium size key enterprises, and well-known, fine products form the centerpiece. Spurred on by the coastal economic development strategy, a new situation has arisen in economic and technical cooperation between Shanxi Province and other provinces, municipalities, and autonomous regions. A total of 2,078 technical cooperation contracts and agreements have been signed with various places involving lateral finance capital amounting to more than 600 million yuan for cooperation on various materials totaling 180 million yuan in value to play a role in promoting the province's economy, particularly consumer goods industries.

2. Continued deepening of rural reform. The stable family output-related contract responsibility system served as a basis for focusing close attention on perfecting the two-tier administrative system and on reform of payment of compensation for land use and the transfer of land use rights for compensation. A substantial number of rural villages are practicing a management system in which responsibility fields and grain ration fields are kept separate. Bid submission contracting and lease management has been instituted for responsibility fields in the building of a quality control system in which land is graded, bonuses given for exceeding rated yields and penalties imposed for falling short of rated yields. Peasant households unable to contract land because members are working in industry or engaged in business may transfer their land use rights at a set price, subject to approval from the contract issuing unit. These reform measures are of positive significance in overcoming abuses involving averaging and dispersal [fensanhua [0433 2414 0553] methods in the contracting of cultivated land, improving the management and protection of land resources, and further arousing peasant enthusiasm for production.

3. The grain and oil-bearing crop purchase and sale system instituted reforms of an exploratory nature. The principal reforms were curtailment of the scope of parity price grain sales; reduction of some grain contract fixed procurement quotas in an expansion of negotiated price procurement and sales; provincial implementation of grain purchase, sale, transfer, and financial contracts with all prefectures and cities; and state and enterprises subsidies for city residents and staff members and workers. Practice during the past years has shown this reform as playing a positive role in regulating supply and demand relationships, and in channeling grain consumption. It has helped moderate inequities in the grain pricing system, stirring peasant enthusiasm for growing grain. In 1988, the province also readjusted the ex-factory price of some industrial products, instituting an overall mean price both inside and outside the plan for

chemical fertilizer linked to fixed grain procurement, the difference in price being refunded to the peasants who sold the grain.

4. The foreign trade system instituted sole responsibility for one's own profits and losses, loosened restraints on management, and the linking of industry and trade. It promoted the agent system, centralized foreign dealings, the provincial government contracting with the state in a new system linked to the province's finance department. Foreign trade enterprises instituted contract management responsibility systems for an increase in enterprise vigor. The number of enterprises throughout the province authorized to engage in foreign trade increased from 18 in 1987 to 28 in 1988 for a general arousal of enthusiasm for exporting to earn foreign exchange.

In addition, all production factor markets continued to grow; new strides were made in reform of the housing system, and pilot projects on overall reforms underway in Taiyuan City and Yuanping showed preliminary progress. In the process of deepening reform, propagandizing of public opinion and theoretical research on reform were intensified.

III. Glaring Problems in Economic Life

During 1988, some glaring problems occurred in the economic life of the province as in the economic life of the country as a whole, which were manifested primarily in currency inflation and too great a rise in prices. The fundamental reason for these problems was excessive demand, total demand outstripping total supply. Although investment in capital construction subject to plan examination was controlled rather well in Shanxi Province, investment outside plan went out of control. The large number of construction projects created excessive demand for funds, and for raw and processed materials, very greatly increasing market pressures. Group consumption increased too abruptly, social group consumer goods retail sales throughout the province amounting to 1.69 billion yuan, up 21.1 percent from 1987. Some units issued bonuses, subsidies, and goods right and left, thereby fueling the overly rapid increase in consumption. After balancing bank cash receipts and expenditures for the whole year, the net amount of currency circulation almost doubled over 1987. The market was in shambles; the number of middlemen involved in the circulation of highly desirable goods increased; a separation of government administration and enterprise management was lacking in quite a few companies; no distinction was made between official and business positions, and commodities were resold at a profit in an effort to make exorbitant profits. Some units and individuals manufactured and sold fake and inferior commodities, thereby seriously hurting consumers' interests.

During 1988, the province's retail price index rose 21 percent over 1987, more than the national average. One important reason for this situation was the province's

heavy industry economic structure, most of the province's coal, steel and iron, cement, and nonferrous metals being allocated and transferred through state plan, and most of them being supplied to the entire country at plan prices. Meanwhile, nearly half of the commodities retailed in the province's markets were purchased from outside the province. For an overwhelming majority of these commodities from elsewhere, price restraints had been removed, their prices rising very greatly. This caused an approximately 7 to 8 percentage point increase in the province's retail price index.

In view of a state analysis of Shanxi Province's economic development, it must be acknowledged that the provincial government also made some omissions and mistakes in providing guidance. In the building of the economy, and developing society, there was too great a tendency to be anxious to succeed, always wanting construction to be done faster, and too much eagerness in some regards. Some places vied with each other, mindlessly expanding the scale of construction to put up some duplicatory, not very beneficial, or even useless projects. In the realm of macroeconomic control, there was a lack of overall balance in the national economy, and a lack of vigorous regulation and control. High energy consumption industries were developed without sufficient thought, thereby compounding electric power shortage, and the supply of raw and processed materials. The problems following in the wake of the two track system were not sufficiently calculated; market regulations and the supervisory and control systems were not in good shape, so it was impossible to take vigorous countermeasures promptly to stem chaos in commodity circulation. Changes in the market situation were not foreseen, so some necessities used in daily life were suddenly sold out and no longer available. In the building of the two civilizations, not much work or study was done in the ideological and political realm, nor was vigorous action taken. Development of education and of science and technology lagged behind requirements for development of the economy, and for reform and opening to the outside world.

The 3d Plenary Session of the 13th CPC Central Committee proposed a guiding policy of improving the economic environment, restructuring the economic order, and fully deepening reform to meet the glaring problems that appeared in the country's economic life. The State Council also made a series of decisions for the strengthening of macroeconomic regulation and control, and formulated a series of policies for improving the economic environment and restructuring the economic order. The provincial people's government resolutely implemented the plans and policies of the CPC Central Committee and the State Council, diligently carrying out improvement and restructuring. The whole province, from top to bottom, conducted a large scale examination of tax collection, finances, prices, and credit, curtailed the scale of investment in fixed assets, took stock of projects under construction, cutback the purchasing power of social groups, controlled credit, stabilized

finance and banking, set up fidelity savings accounts, reinforced price controls, inventoried and rectified companies, and energetically organized and planned market supply for an increase in effective supply. By the end of February 1989, 300 projects under construction throughout the province had been halted or postponed in a 410 million yuan curtailment of investment. This included 64 storied buildings, halls, and public building projects for a 63.54 million yuan cutback in investment. A total of 194 million yuan of funds were found in violation of discipline and owing to the treasury, 154 million yuan of which has since been deposited. A total of 769 companies that did not meet requirements and should not be in operation were eliminated, and an overwhelming number of incumbent cadres in party and government organs, as well as resigned or discharged cadres who held concurrent positions in enterprises resigned their jobs in the enterprise or in the party or government organ, or completed required procedures permitting them to hold both positions. A number of cases were found involving purchases for the purpose of resale at a profit in an effort to make exorbitant profits. The overheated consumption has now begun to cool, and group purchasing power has decreased; the dizzying rise in prices of commodities has been contained to a certain extent, the tendency toward sharp increases in the retail price index moderating. The amount of credit has been brought under control, with a shift toward normal increase in both city and country savings accounts. Market supply has been pretty well assured, and market supply during the New Year and the lunar New Year was fairly good. Nevertheless the job of improving the economic environment and restructuring the economic order has only just begun. The results obtained so far are only preliminary and should not be overestimated. Some prominent problems in economic life have yet to be redressed.

Tasks for 1989

Delegates, we face insurmountable difficulties and problems during 1989. The task is an extremely daunting one. The extent of currency inflation and price rises remains excessive; funds are in fairly short supply, there is a rather large shortfall in the supply of electric power, and of raw and processed materials; and a series of problems exist in production, transportation, and market supply. These problems are associated with moving ahead, and the problems associated with development. So long as we resolutely carry out the CPC Central Committee's policies and policy measures for improving the economic environment and restructuring the economic order, promptly studying new situations and solving new problems, we will certainly surmount the difficulties on the road ahead. Governments at all levels must uphold the leadership authority of the CPC Central Committee and the State Council, strictly enforcing orders and prohibitions. All places, departments, and units should show consideration for and seek to preserve the overall situation, firmly establishing the concept that partial and local interests are subordinate to overall interests. During the period of improving the economic environment and restructuring the economic order, both the government and the people

must be mentally prepared to go through several years of belt tightening. Government and government organization cadres at all levels, particularly leading cadres, should take the lead in improving the economic environment and restructuring the economic order, working hard and practicing thrift, struggling arduously, and working wholeheartedly in a sustained, unflagging effort to stabilize the economy and deepen reform.

CPC Central Committee and the State Council policies and plans set the basic tasks of the provincial people's government for 1989 as follows: continued in-depth implementation of the spirit of the 3d Plenary Session of the 13th CPC Committee, and the spirit of the Second Meeting of the 7th NPC, placing the emphasis of reform and construction on improving the economic environment and restructuring the economic order to insure that prices will rise at a markedly lower rate than in 1988; continued good performance in the building of energy and heavy chemical industry bases, paying close attention to the five key points for development stipulated in the Seventh 5-Year Plan, particular attention being given to grain and coal production, and strengthening the strategic position of scientific and technical education; adherence to engaging in economic construction, reform and opening to the outside world with one hand, while building socialist spiritual civilization with the other, continuing to move ahead with all endeavors for the building of socialism.

Main objectives in building the national economy and society of the province in 1989 are: a 6 percent increase in national gross output value, a 4 percent increase in the gross output value of agriculture, an 8 percent increase in the gross output value of industry, and a 5.29 percent increase in government revenues. Objectives for output of major commodities are: 8.25 million kilograms of grain, 90 million kilograms of cotton, 244.5 million tons of raw coal, 29.1 billion kilowatt hours of electric power, and 2.24 million tons of steel. Shipments of Shanxi coal outside the province should total 193.52 million tons, and retail sales figures for social commodities should total 19.5 billion yuan. The rate of price rises throughout the province should be markedly lower than in 1988, and foreign exchange earnings should increase 11 percent. The natural rate of population increase should be held within 12 per 1,000. Both peasant per capita net income, and per capita wages of staff members and workers should increase.

Realization of the tasks and goals of government work during 1989 will require efforts to do a good job in the following regards:

I. Diligent Improvement of the Economic Environment and Restructuring of the Economic Order, Strictly Controlling Price Increases

Improving the economic environment and restructuring the economic order is the centerpiece of all work during 1989. Close attention must be given to it. We must fully realize the necessity for and the arduous nature of improving the economic environment and restructuring the economic order, firmly decide to cut back the scale of

investment in fixed assets, control the too fast growth of consumption funds, gradually ease the conflict of gross social demand exceeding gross supply, and strive to achieve basic balance between supply and demand in government finances, credit, and materials.

1. Resolute curtailment of the scale of society's investment in fixed assets, readjusting the investment structure, is a major measure having a decisive effect on curtailment of gross social demand. It is necessary to realize that the province's financial resources cannot support either investment in fixed assets on too large a scale or too fast an increase in consumption funds. The province's local investment in fixed assets during 1989 has to be cut by 1.3 billion yuan from 1988's plans in a 26 percent reduction. The key in realizing this objective lies in taking stock of projects under construction. An inventory must be made in accordance with the State Council's decision on key points in current industrial policy, and the list of construction projects underway to be inventoried, an inventory made of all construction of storied buildings, halls, and public accommodations of a non-productive nature, and of projects for which inadequate preparations were made earlier, for which funds, raw and processed materials, and electric power cannot be provided, and projects that produce products that are not readily marketable, as well as projects outside of plan, resolutely halting or postponing construction on a number of projects. At the same time, project examination and approval authority should be centralized for strict control over new construction projects. Macroeconomic regulation and control over investment in fixed assets throughout society must be increased, particularly regulation and control of investment outside plan or outside budget. Command plan control should be exercised over investment for renovation and technical transformation, and bank loans for investment in fixed assets. Self-financed investment should be more tightly controlled and restricted. Strict control should be exercised over the issuance of investment loans to collectively owned and individually owned enterprises, and curtailment of the scale of investment should be linked to readjustment of the investment structure, some investment maintained and other investment curtailed, energies concentrated on providing for the continued construction of key industrial projects and projects producing good benefits that can go into production as quickly as possible. Investment in agriculture should continue to increase. In the coal industry, emphasis should be placed on the technical transformation of key mines having good deposits and transportation conditions, and on the building of key coal producing counties. In the electric power industry, emphasis should be placed on insuring the construction of power stations and associated power transformer and transmission lines on which work has already begun. Investment in light and textile industries, and in the building of nonstaple food bases should be appropriately concentrated on projects able to increase effective supply. Investment in education, and in science and technology should be

insured. Investment in all other construction of a non-productive nature should be reduced greatly. High electric power consuming projects, as well as urban construction projects must be cut back. While continuing to insure the technical transformation of 58 key enterprises, investment in technical transformation should be provided in accordance with the principle of "optimized orientation of investment, structural adjustment, guaranteeing proper emphasis, and increasing returns."

2. Curtailment of government financing, strictly controlling the too fast increase in consumption funds. Many reasons account for the decrease in government receipts and the increase in expenditures during 1989. Balancing the budget is an extremely daunting task. Therefore, we must effect a policy of curtailment, broaden sources of income and reduce expenditures, energetically organize all revenues, particularly intensifying and improving tax collection and control work, and persevere in regulating taxes in accordance with the law. All prefectures and cities, and all department must strictly control and strictly plan expenditures according to the norms set in the national budget. They may only reduce, but never exceed, these norms in practice. In planning expenditures, the wages of personnel, necessary administrative expenses, and funds needed for the development of agriculture and education must come first, all other expenditures being met as capabilities permit. Social group expenditures must be cut back 20 percent from actual expenditures in 1988. The purchase of small sedans must be rigorously controlled in accordance with state regulations. Every effort is to be made to curtail expenditures for conferences, procurement, repair and renovation, and entertainment. The use of public funds for recreational travel and indiscriminate issuance of funds and materials as bonuses is strictly forbidden. Waste and extravagance are to be diligently corrected.

In order to reduce excessive social demand, not only is it necessary to control social group consumption rigorously, but firm control also has to be exercised over too fast increase in individual consumption demand. The State Council's "Views on Further Improving and Perfecting The Linking of Enterprises' Total Wage Bill to Returns," and related regulations must be rigorously enforced. The distribution system has to be improved gradually to mitigate inequities in social distribution. Right now, it is necessary to improve work rapidly in the collection and control of individual income readjustment taxes.

3. Strict control over the scale of credit and the amount of currency put into circulation. It is necessary to continue to exercise a policy of controlling total amounts, readjusting the structure, insuring key needs, cutting back routine needs, and making timely readjustments. Meeting needs in readjustment of the economic structure

requires readjustment of the credit structure, optimized orientation of funds investment, priority given to insuring agricultural production and the purchase of agricultural byproducts, priority given to insuring the production of energy and to key processed and raw materials, and priority given to the production of readily marketable light and textile industry products, as well as to the production and purchase of products needed in the export trade. An even greater decision has to be made to restructure the financial order, to improving cash control, to reforming the account settlement system, and to strengthening control and management of social pooling of funds. Inventorying of warehouses and tapping of potential must be carried out in depth. Enterprises should be supervised and encouraged to inventory their warehouses, disposing of materials that have accumulated in storage. Loans should be collected according to law; inappropriate bank loans should be settled and recovered; and overdue and delinquent loans should be settled. The "little treasuries," and "small money chests" that units maintain should be looked into to hasten the circulation of funds. Further work should be done to stabilize and increase savings accounts, major efforts made to launch all kinds of campaigns to publicize savings, the purchase of commodities in very great demand linked to savings, and life insurance having savings aspects developed to soak up savings in many ways. Grass-roots level financial units should improve their service attitude to accommodate city and countryside residents in saving and withdrawing funds from savings.

4. Readjustment of the industrial structure and the product mix in an effort to increase effective supply. Improving the economic environment and restructuring the economic order is, in fact, a readjustment of the economy that requires, first of all, the buttressing of agriculture in an effort to take firm grip on the production and purchase of important agricultural byproducts such as grain, cotton, oil-bearing crops, meat, poultry, eggs, and vegetables; second, emphasis on the development of energy, transportation, and raw and finished product industries, the production of coal and electric power continuing to increase thereby; third, close attention to the production and supply of readily marketable light and textile industry products, using the tapping of potential and technical transformation to increase production capacity, increase product quality, and add to the colors, designs, and varieties of light and textile industry products in which the province enjoys advantages. A strict supervision and control system must be established for the production, supply, and marketing of important consumer goods, priority given to insuring the province's market needs. Business and supply and marketing departments should strive to expand procurement from outside the province to increase sources of supply. In readjustment of the structure, the production of steel, cement, and basic chemical industry raw materials should be suitably accelerated, increasing production of products that support agriculture such as chemical fertilizer, agricultural plastic mulch, and pesticides, and

developing electromechanical production in which the province enjoys advantages.

Yet another aspect of readjustment of the structure is the need to limit the too rapid development of ordinary processing industries, and the unbridled development of high electric power consuming industries, limiting the production of products made with backward technology, high energy consumption, and that are of poor quality, as well as products whose manufacture seriously pollutes the environment. A number of inferior quality products that do not sell well in markets, and products that consume large amount of grain and other raw and processed materials in short supply should be eliminated. Economic and administrative actions will have to be taken against the foregoing kinds of enterprises to limit, halt, or shift their production to other lines.

5. Strengthening of price controls. State set prices must be strictly enforced for state and province directly controlled means of production and labor services. No department, local jurisdiction or enterprise may unauthorizedly hike prices or raise fees. Maximum price limits should be instituted for state and province-prescribed major means of production and important consumer goods outside plan. The prices of products having a close bearing on the people's livelihood have to be controlled well, in particular. For consumer goods on which price restrictions have been already removed, and for self-collected consumer goods, the differential rate control system should be further improved, and a system for requesting price rises instituted. Prices should be rectified one by one for those commodities whose prices rose excessively during 1988, particularly important commodities having a bearing on the national economy and the people's livelihood. Price regulations should be formulated and perfected for greater price control. Continued work should be done in conducting a major examination of prices, the broad masses being mobilized and organized to supervise prices, units and individuals who violate price discipline being sternly punished as part of genuinely safeguarding the interests of consumers.

6. Rectification of the commodity flow order, reducing the number of middlemen. Governments at all levels should better exercise centralized control over markets, unifying and coordinating the business activities of all trades and industries on a path of healthy development. The situation in which many parties have their hand in the flow of commodities in very great demand, numerous middlemen, prices increasing as goods pass through each of them has to be eradicated. State-owned businesses, and supply and marketing cooperatives should get control over required sources of supply of important means of production and the means of livelihood having a bearing on the national economy and the people's life, dealing in them in various ways as circumstances warrant. For monopoly purchase and sale commodities, relevant state policy regulations are to be strictly enforced. The number of middlemen may not be arbitrarily increased for commodities that production

enterprises supply to business enterprises in order to make exorbitant profits. All enterprises, including all retail businesses, individual industrial and business firms, and privately owned enterprises are to clearly mark prices, do business with civility, and willingly accept consumers' supervision. Industrial and commercial, price, auditing, tax, standards, weights and measurements, and health and quarantine departments are to improve supervision and control, cracking down hard on those who seek to dominate markets, hoard for the purpose of profiteering, buy and sell in order to profit, jack up prices, and practice usury, as well as those who make and sell fake and inferior commodities. Governments at all levels should more effectively control markets, applying economic levels for timely regulation as changes in the local market situation requires in the gradual building of a new market order.

II. Acceleration of the Building of Energy Production to Enhance Reserve Strength for Development

In drawing up the province's Seventh 5-Year Plan, at the urging of the Central Committee and many years of practice, we proposed a policy for development of Shanxi's economy centering around the building of energy and heavy chemical industry bases, energy and transportation, education, science and technology, technical transformation, environmental protection, agriculture, and assistance to impoverished areas in changing their circumstances becoming the focus of development. Practice during the first 3 years of the Seventh 5-Year Plan demonstrated this policy to have been a correct one in an overall sense. For a considerable time to come, coal will remain the country's chief source of energy. Shanxi has abundant coal deposits, so centering Shanxi Province's economic construction around coal energy is in keeping with objective reality. Currently, the whole country is experiencing a shortage of energy, which seriously restricts industrial and agricultural production and the development of various social endeavors. This new circumstances enable us to realize that accelerated building of Shanxi's energy and heavy chemical industry bases holds important practical significance in easing the energy shortage throughout the whole country in the course of improving the economic environment and restructuring the economic order. Currently, Shanxi's coal industry faces a new situation and new problems. One is that coal for use in the province is in short supply, and the supply of energy is seriously inadequate. In 1989, some large and medium size enterprises do not have enough coal in storage. Some electric power plants sometimes come to a halt for lack of coal in a sharp conflict between supply and demand for electricity. In some places, a shortage of coal for use in daily life has also occurred. Second, township and town coal mines, and local coal mine production have encountered substantial difficulties. As a result of the overly low price of coal, the enormous rise in prices paid for raw and processed materials, highway transportation, and fees for the loading of vehicles in recent years, plus the rise in the cost of coal, coal mines experienced a decline in

economic returns, or even showed losses. Enterprises lacked self-transformation or self-development capabilities. Many coal mines could only maintain simple reproduction, and reserve strength for the development of coal production was markedly insufficient. Third, township and town coal mines faced difficulties in a shortage of capital, with little investment, difficulties in expanding the scale of investment, and inadequate follow-up replacement capability. This situation aroused a high degree of serious attention on the part of the State Council. We must take firm grip on the current opportunity to develop energy production, hastening the building of energy bases. We must hasten the transformation of provincial mines, enlarging and technically transforming them, expanding the scale of production, improving technological levels and the rate of return on resources, and improving safety conditions. We must select a number of township and town mines for joint technical transformation to change the situation of mines being "very small but never large, and very shallow but never deep." In addition to the more than 60 mines for which the province is making an investment in technical transformation and expansion, close attention must also be given to carrying out construction plans for key coal producing counties for the gradual building throughout the province of a number of mechanized and semimechanized main mines of substantial size. In addition, attention has to be given to the protection and rational use of coal deposits, firmly preventing reckless and indiscriminate mining. More attention must be given to the processing, conversion and multiple uses of coal, gradually changing from just raw coal production to a diversified product structure for increased overall economic returns. Attention should be given to restructuring the way in which coal moves, better managing coal transportation, reducing middlemen, and halting unfair fee collections to insure coal allocation and transportation. In the production and supply of electric power, funds, materials, and construction forces will have to be concentrated during 1989, and a firm hand taken in the building of the Taiyuan No 1 Power Plant, the Zhangze Power Plant, and a number of small power plants in an effort to bring on stream within the year generating units having a 500,000 to 600,000 kilowatt generating capacity. In addition, close attention should be given to the safe and consistent operation of existing power plants, instituting contract responsibility systems that link wages, bonuses, and safe production to the amount of power generated to insure steady power generation and sufficient power generation. It is necessary to improve plan use of electricity and conservation of electricity, selectively distributing electric power on the basis of the need for readjusting product mixes. Use of electricity outside of plan is to be strictly limited, waste of electricity resolutely overcome.

More transportation should continue to be built, the emphasis being on the building of provincial railroads

and Dazhai Line concentration and transportation stations, and accelerated improvement of mining region highways, and economic trunk line highways in the province.

In building energy and heavy chemical industry bases, environmental protection should be improved. This is an important matter having a bearing on the physical health of the masses, and on posterity. Various environmental protection policies and measures should be put in place to reduce pressures on the environment from the discharge of pollutants. Beginning in 1989, environmental protection term-of-office goal responsibility systems are to be established in five cities under direct provincial administration in an effort to bring environmental pollution in these cities under control within the next 3 years to improve environmental quality. It is necessary to continue to give close attention to environmental planning and to tackle environmental problems in a comprehensive way in key areas. It is also necessary to persevere in the implementation of state promulgated environmental protection laws and local environmental protection rules and regulations, reinforcing and perfecting the environmental supervision and control system, further perfecting the system for bringing pollution under control within a fixed period of time, and vigorously developing multiple uses of the "three wastes" [waste water, waste gas, and industrial residues] to insure full benefit from environmental protection facilities already built. Township and town enterprise environmental control should be watched closely and improved. A good job should continue to be done in the greening of cities and towns, and the conservation of soil and water, protecting and improving the ecological environment.

III. Continued Strengthening of Agriculture's Position as the Foundation To Win Steady Increase in Grain Production

Agriculture is a conspicuously weak link in the current national economy. Genuine strengthening of the position of agriculture as the foundation to win a bumper harvest in agriculture in 1989 holds particularly important significance for increasing effective supply, holding down price rises, and stabilizing the overall economic situation. In December 1988, the CPC Central Committee and the State Council rendered a decision on winning a bumper harvest in agriculture in 1989, and the provincial CPC committee and government drew up a short-term development plan to give impetus to the province's agricultural production reaching a new stage. The whole province from top to bottom is concerned about and gives close attention to agriculture. This is extremely advantageous for doing a good job in agricultural production in 1989. Governments at all levels should conscientiously carry out the decisions of the CPC Central Committee and the State Council, relying on policies, science, and increased investment to win a new bumper harvest in agriculture.

1. Increased investment in agriculture. In 1989, at a time when the provincial government is curtailing investment in fixed assets, it is increasing investment in the capital construction of agriculture by 50 million yuan over 1988 to 126 million yuan. In order to increase investment in agriculture consistently, beginning in 1989 funds are to be raised through multiple channels and an agricultural development fund established. The main sources of funds will be as follows: withholding of a portion of funds outside of budget, and withholding of all or a portion of township and town enterprise tax receipts, taxes on takeovers of cultivated land, agricultural and forestry special products taxes, and tax collections from individual rural industrial and commercial households and privately-owned enterprises. Approximately 70 million yuan can be obtained from the above sources throughout the province. All prefectures, cities, and counties should also apply more financial resources to increase investment in agriculture. Township and village cooperative economic organizations should set up agricultural accumulation systems, such as agricultural fund associations or cooperative mutual aid savings associations to apply idle rural capital to the building of agricultural production. Land contract fees, and funds that township and town enterprises pay in the program of industry helping agriculture should be used mostly for the capital construction of agriculture. Peasant investment in agriculture is the main channel for increasing agricultural investment. Peasants should be actively encouraged to invest more funds and more labor in the capital construction of farmland water conservancy, to increase applications of farmyard manure, to improve soil structure, and to nurture soil fertility.

2. Increase in and improvement of the production and supply of agricultural means of production. Priority should be given to providing the electric power, transportation, and raw and processed materials needed to produce chemical fertilizer, agricultural pesticides, plastic mulch, and such materials used in agriculture. The agricultural production product mix should be readjusted to increase output of water conserving agricultural machines and devices, and machines and equipment needed to support field operations. Important means of production such as major kinds of chemical fertilizer, the main agricultural pesticides, and plastic mulch are under centralized control of provincial means of production coordination teams, and are a monopoly of supply and marketing cooperatives. The province's needs for minor kinds of chemical fertilizer must be met first.

3. Accelerating the application of practical techniques for increasing agricultural production. Ten techniques for increasing agricultural output, principally dryland farming techniques, water conserving agricultural techniques, and the breeding and promotion of fine varieties should be generally spread through the adaptation of general methods to specific circumstances in an effort to get higher output over large areas. Agricultural science and technology demonstration projects that have begun to be carried out should be carefully organized for their

gradual diffusion over a wide area. Efforts should be made to carry out "spark plans," energetically increasing the application of scientific and technical results in a good job of providing scientific and technical services to agriculture. Simultaneous with full use of the role of specialized technical personnel should be the training and expansion of science and technology corps to provide active support to the various kinds of popular special technical associations that are springing up, and to organize the peasants to study and master modern agricultural science and technology.

4. Improvement of agricultural production conditions, bolstering capabilities to withstand natural disasters. Close attention should be given to the restoration of water-damaged projects, efforts made to restore normal irrigation in 1989 or 1990. Close attention should be given to the reinforcement of dangerous reservoirs to eliminate hazards; more work should be done to renovate, equip, replace, and transform existing water conservancy projects; and new water projects should be developed in a planned way to revive and expand the irrigated area. Further good work should be done to build commodity grain and cotton bases, and nonstaple food bases. Dryland agriculture should be energetically developed, consistently high yield fields that conserve soil, conserve fertilizer, and conserve water being energetically developed. A good job should be done in work to fight drought and prevent floods to guard against possible trouble. Household contracting of the harnessing of small stream basins should continue for the purpose of preventing erosion. More attention should be given to the planting of trees and afforestation, close attention given to the compulsory planting of trees by all the people, improvement of forest fire prevention, halting reckless felling of trees and denudation, and protecting and developing forest resources. The concept of large scale agriculture has to be inculcated to promote the all-around development of farming, forestry, animal husbandry, and fisheries. Animal husbandry is a weak link in the province's agriculture. Close attention must be given to animal husbandry production, suiting general methods to specific circumstances.

5. Better land management. In-breadth and in-depth propaganda to implement the "Land Management Law" should continue, more being done to educate all the people in the concept of the national soil. Examination and approval procedures for the use of land for nonagricultural construction should be rigorously enforced, and halted capital construction projects should scale back land use at the same time. Strict control should be exercised over township and town, village, individually operated enterprise, and peasant use of land to build houses, a halt called to taking over the land first and obtaining permission later, to taking over land without every obtaining approval, and getting approval for a small amount of land but taking over a large amount, all of which violate the law and discipline. Henceforth, cultivated land may not continue to be taken over for the firing of bricks (or tiles), for quarrying, or for smelting

iron. Basic grain fields may not be turned into fishponds or planted to orchards. Land that has already been taken over for such purposes is to be inventoried carefully. In some cases, its used for non-farming purposes is to be halted within a certain period of time, and the land restored to cultivation. Efforts are to be made to limit to within 70,000 mu per year the amount of cultivated land in the province taken over for nonagricultural purposes. In addition, active efforts should be made to reclaim, revive, and use reserve cultivated land resources such as alkaline and alkaline land, the Huang He flats, the Fen He flats and odd bits and pieces of uncultivated land, and land that has gone fallow after the abandonment of cultivation, as well as excavated, compacted, and caved in land.

6. Deepening of rural reform, and improvement of social services. The emphasis in rural reform is on continued stabilization and perfection of family output-related contract responsibility systems, together with active promotion of related auxiliary reforms. A corollary to stabilization of the family output-related contract responsibility system is steady spread of the practice of making bids to contract land, pledge contracting, and lease farming to encourage and promote painstaking peasant nurture of the land. Places having requisite conditions should continue to experiment with a suitable scale for farming. In accordance with a State Council decision, the fixed procurement grain price is to be increased appropriately. Along with this, tri-level grain markets under state guidance are to be built. This entails an enlivening of the country fair grain trade, the establishment of regional regulatory markets around cities, and the establishment of comprehensive wholesale grain and edible-oil markets throughout the province. Once the peasants have fulfilled their grain contract procurement quotas, they may trade their remaining grain in markets. A bi-level administrative systems has to be consolidated and perfected, township and village cooperative economic organizations further developed to improve their economic strength and service functions in the gradual formation of an interrelated new style service system made up of township and village cooperative economy organizations, state-owned agriculture-related institutions, and supply and marketing cooperatives to provide peasants with serialized social services such as information, techniques, funds, insurance, machinery, storehouses, transportation, and management.

Continued work should be done in assisting the poor, forces concentrated during 1989 and 1990 to launch an assault to solve food and clothing problems. Close attention is to be given to support for needy households in nonimpoverished counties to help them solve their food and clothing problems as quickly as possible. Governments at all levels should institute level by level responsibility systems for help to the needy, carrying all measures for helping the needy into practice. More should be done to develop mountain, old revolutionary base, and impoverished areas, perfecting policy measures suited for these areas to power up inherent forces for their

economic development. Special attention should be given to the support of science and technology, and education in these areas for a fundamental uplifting of their self-development capabilities. Funds for assistance to the needy should be managed and used well to increase their utility.

Township and town enterprises face a set of new difficulties in improving the economic environment and restructuring the economic order. They should use local advantages in an orientation to market needs, adjusting the industrial structure and their product mix. Agricultural by-product processing industries, and vigorous raw and processed materials industries should be actively developed. Internal pooling of funds, and lateral associations should be used to surmount inadequate fund problems. The separation of government administration and enterprise management should continue, contract management responsibility systems improved, accumulations increased, increases in expenditure of consumption funds and nonproductive production expenditures controlled to improve self-development capabilities. All departments concerned should support township and town enterprises in getting through their difficulties and developing steadily.

IV. Good Work in the Double Increase and Double Economy Campaign to Increase Economic Returns

In the course of improving the economic environment and restructuring the economic order, the campaign to increase production and practice economy, and to increase income and reduce expenses should continue to be carried out in breadth and in depth. This campaign holds important significance in controlling gross social demand to increase effective supply. In recent years, government financial disbursements have increased very rapidly. In particular, the burden of various subsidies has become increasingly heavy, exceeding the government's ability to carry it. At the same time, waste is fairly serious in production, commodity circulation, and capital construction, the running away, oozing, dripping, or leaking of financial revenues being rather common. Therefore, the sustained in-depth launching of a double increase and double economy campaign is the key to insuring steady increase in financial income, and surmounting current financial difficulties.

Focusing on improvement of the quality of enterprises in conducting the campaign of double increase and double economy to improve economic returns. Technical progress should be vigorously promoted in enterprises, attention given to the technical transformation of old enterprises, particularly 58 key enterprises. Enterprises should establish and perfect development mechanisms little-by-little, setting up development funds for new products, and devoting attention to the development of new techniques, the promotion of important techniques, and the digestion and assimilation of imported projects. They should devote much attention to and take firmly in hand the technical training and the on-the-job training of staff members and workers to improve the quality of

their staff members and workers. They should take vigorous action to improve administration and management, devoting themselves to the basic management tasks having to do with objectives, calculations, and quotas, doing a solid job in promoting the full load work system, in-house banks, and such effective advanced management methods, borrowing from modern, scientific management methods used abroad. They should emphasize quality control, and promote the use of international standards to upgrade and produce premium products. Continued emphasis should be placed on the task of reducing losses and increasing profits, efforts made to reduce by 25 percent the 1988 losses of industrial enterprises throughout the province.

In conducting the double increase and double economy campaign during 1989, not only is it necessary to mobilize fully and propose new objectives, but tasks must be broken down for implementation level by level by all departments and every staff member and worker, and made a part of contract requirements. Performance in fulfilling the double increase and double economy tasks should be linked to the benefits given staff members and workers. A change must be made in the past practice of emphasizing increased production and increased income while slighting the practicing of economy and the reduction of expenses. Firm grip is to be taken on the economization of raw and processed materials and energy, bonuses continuing to be given for economizing raw and processed materials, and energy in an effort to reduce industrial enterprises' consumption of materials by 2 percent, and their consumption of energy by 3 percent. Firm control over funds must be exercised, reward and punishment systems related to the use of circulating capital actively tried out to encourage enterprises to use fewer funds, to hasten the turnover of funds, and to improve the utility of funds. In addition, extremely close attention must be given to the management and supervision of safe production, particularly safety in coal mines and transportation to reduce serious accidents. The double increase and double economy campaign should be used to improve the level of management of the province's economy, thereby enabling more enterprises to enter the ranks of advanced enterprises in the country and the province.

V. Bolstering the Strategic Position of Education in Science and Technology

Accelerating progress in science and technology to enhance the development of intellect provides the hope for the province's economic prosperity. We must devote much attention to formulating and implementing scientific and technical plans for making Shanxi prosper, making impetus to industrial and agricultural production, particularly technical progress in key industries, an important goal, gradually improving the province's technical equipment and management level. Science and technology work has to be oriented toward the main battleground of economic construction, requirements for readjusting the province's industrial structure and product mix forming the basis for taking firm grip on

implementation of the province's science and technology attack plans, and technical transformation plans, as well as "spark plans," and "torch plans" during the Seventh 5-Year Plan for active promotion of scientific and technical achievements having general applicability. During 1989, emphasis is to be placed on the development of 500 different new products in the coal, machinery, metallurgy, chemical, light, and textile industries. Organization to promote 10 practical agricultural techniques and to promote techniques for saving energy and cutting consumption in industry is to continue. Basic research is the precursor to new technology and new invention. It has to continue to be improved. Research in the soft sciences centering around major problems in readjusting the province's economic structure, and formulation of development plans for the Eighth 5-Year Plan is to be done as a service to decisionmaking.

Reform of the science and technology system has to be deepened further for the gradual building of an operating mechanism in which science and technology are closely linked to economics. Scientific research organizations engaged in the development of technology should enter directly into the economic realm through various means to integrate scientific research into production. Large- and medium-sized enterprises should be encouraged to operate technical development organizations to increase their technical development capabilities, consciously relying on scientific and technical progress to advance the enterprise's development. The scientific and technical personnel administration is to be actively reformed, markets for the exchange of talent nurtured and developed to promote the flow of scientific and technical personnel into production departments. Very great attention should be given to the development of civilian operated scientific and technical endeavors, support given to forces in all parts of society in the operation of all kinds of scientific and technical organizations. Scientific and technical exchanges and the popularization of science should continue. Government at all levels should continue to increase the funding of science and technology, and they should institute policies helpful to scientific and technical progress when readjusting the structure of investment and credit.

Fundamentally speaking, economic prosperity and social development depend on improvement in the quality of workers and the training of specialized talent. The strategic position of education in modern socialist construction must be strengthened. Leaders at all levels should further increase understanding about the importance of education. Today, we must take firm hold of the formulation of a strategic plan for the development of education in the province in order to accelerate the development of education in a planned, step-by-step way, so that it meets needs in building the province's economy and developing its society. In 1989, at a time of improving the economic environment and restructuring the economic order, curtailment of investment, and cutbacks in expenditures, investment in capital construction for the province's educational system will be maintained at the

1988 level. Estimates call for new increases over 1988 in expenditures for education. In addition, the schooling system has to be actively reformed. Multiple channels must be opened for raising education expenses, and the operation of schools by social groups, entrepreneurial units, and even individual citizens should be developed in order to help increased the whole society's investment in education and to satisfy society's ever growing demand for education. Middle and primary schools should continue to be encouraged to conduct part-work part-study campaigns, and institutions of higher education should continue to be encouraged to provide social services of various kinds in an organized fashion.

Development of education requires, first of all, the strengthening of basic education. Diligent efforts should be made to make compulsory education universal, and to use legal means to stop middle and primary school students from dropping out of school. In accordance with plans draw up during 1988, governments at all levels must take action to renovate and improve seriously dangerous middle and primary school buildings during 1989 and 1990. Emphasis should be given to the development of vocational and technical education, encouraging education departments and industrial departments to link up as partners in running schools, actively operating vocational and technical schools that combine production with instruction for the widespread development of diversified training in practical skills. Rural education should continue to adhere to overall reform in which "three instructions" are planned as a whole. This should be done in conjunction with the implementation of "prairie fire plans" to accelerate the training of middle and elementary level scientific and technical talent needed in rural villages. Particular emphasis should be placed on the training of junior middle school graduates, most of whom return to the countryside, making full use of their role in rural construction. The development of higher education should shift from larger numbers to readjustment of the structure, improving adaptability, bettering schooling conditions, and improving educational quality. In the graduate assignment system, more must be done to bring the supply side and the demand side together so that both parties can select each other. Adult education should be founded on improvement of worker quality, on-the-job training increased, schools being operated along many different lines, using many different capabilities, and many different forms, close attention also being given to the eradication of illiteracy.

All kinds of schools at all levels are to genuinely improve and enhance their ideological and political work, striving to improve the quality of education. Ethical education is to be given an important position in school work. More must be done about providing students an education in ideology and moral character, education on the situation, education in the rule of law, and labor education, strong efforts made in the building of school spirit and school discipline. Continued efforts are to be devoted to highlighting rectification of the school order, improving

school administration, and optimizing the teaching environment. Effective actions are to be taken to rectify problems that occur in schools such as levying fees arbitrarily, issuing diplomas indiscriminately, business dealings between teachers and students, and lax discipline, every effort made to turn around chaotic situations in educational work.

The development of education must fully rely on and carry forward the enthusiasm and creativity of the broad masses of teachers. Teacher training should be improved to upgrade teachers' ideological and professional levels. Intellectuals are an important force in socialist modernization. Governments at all levels should make full use of their role, listen to their complaints and suggestions about government work, support their creative labors, gradually improve their working and living conditions, and increase their pay and emoluments. Those who make outstanding contributions should be given commendations and awards. Efforts should be made to shape a fine social ethos of respect for knowledge and respect for talented people.

VI. All-Around Deepening of Reform for an Expansion of the Opening to the Outside World

The guiding principle for economic system reform during 1989 is as follows: to center efforts closely around improving the economic environment and restructuring the economic order, focusing the deepening of reform on the development and perfection of the various reform measures already in being, simultaneously taking firm hold of the opportunity that improving the economic environment and restructuring the economic order provides to experiment and explore reform at every level in an active and well-founded way. The main component of reform is to be continued perfection and development of contract management responsibility systems in industrial and commercial enterprises, diligently implementing the "Enterprises Code," further insuring enterprises' autonomy, actively exploring new methods and new techniques for macroeconomic regulation and control during a period of system change, and fostering an orderly market. All reforms are to serve the purpose of helping curtail demand, regulate the structure, increase effective supply, and hold down currency inflation.

1. Deepening enterprise reform, stabilizing, perfecting, and developing enterprise contract management systems. First, it is necessary to safeguard the solemnity of contracts, generally no readjustment of contract terms being made. For operators who are able to fulfill contracts, there should be no changes during the period of the contract. The small number of unfulfilled contracts should be augmented as needed, and poor quality operators whose enterprises are managed chaotically, who operate in violation of the law, and whose staff members and workers are generally dissatisfied, contracts may be suspended according to law and new contracts drawn. Newly contracting enterprises should introduce the competition mechanism, institute contracting through the

calling for tenders, regularize and systematize their operations, and reduce administrative interference. Active efforts should be made to promote risk pledge [fengxian diya 7364 7145 2107 2131] contracting for all personnel, to continue to promote and perfect a system whereby the total wage bill is linked to economic returns and the labor productivity rate to stir the enthusiasm of enterprises and of staff members and workers, and to enhance enterprise's self-limitation capabilities and ability to adapt to market changes. Contracting enterprises should overcome short-term thinking. Most of their retained profits should be used to develop production and to balance out fat and lean times. Enterprises' associated internal reform should be deepened, diligent summarization of experiences in pilot projects used as a basis for actively and steadily promoting optimized labor groups in enterprises owned by the whole people in batches and over a period of time.

A number of new enterprise blocs should be fostered and nurtured under guidance of state industrial policies and in accordance with the principle of voluntary participation for mutual benefit. Enterprise blocs should make the most of advantages in organizing specialized cooperation and improving the economic benefits of scale. They should refrain from pursuing several "unifieds" so as to guard against the formation of a new layer of administration and management. Departments in charge of enterprises should take the initiative to change functions, genuinely carry out a separation of government administration from enterprise management, help blocs solve a number of real problems, and promote the improvement and development of blocs. Enterprise blocs should accept administration and management, as well as guidance and supervision from government departments in charge. In accordance with the principle of transferring possession of production rights for compensation, enterprise mergers should be actively promoted, some state-owned small enterprises being auctioned off in accordance with relevant national regulations. The foregoing reforms must be conducted deftly, with no rushing headlong into action.

2. Active exploration of new methods of local macroeconomic regulation and control to do a good job in all aspects of associated reforms. Planning departments should increase and advance overall balance in the province's national economy, making better use of their role in regulating and guiding the economic development of the whole society. Emphasis should be placed on better channeling and regulating of funds outside budget, consumption funds, the orientation of operations and the actions of economic units not under ownership of the whole people, advancing overall economic balance and coordination of the economic structure, and correspondingly reforming the prevailing investment system. Reform in the commodity circulation area requires further building and perfection of multichannel, multicomponent, multiform, open style systems having fewer middlemen. Development of all kinds of production factor markets should continue to be fostered, and a

good job done with means of production markets having leadership. Major efforts should be devoted to making trade open, with greater use of billing [piaojuhua 4384 2207 0553] to build a new market system that both helps marcoeconomic control and helps invigorate the economy. The focus in reform of the government financial system is to be on improvement and perfection of financial responsibility contracting methods to enhance government finance department macroeconomic regulation and control capabilities, and to enhance county level financial department self-development capabilities. Full use should be made of the regulatory and control role of banks to improve the auditing and supervisory system. Reform of the city and town residents' housing system, reform of the social insurance system and the labor personnel system should continue to be promoted.

3. Close attention should be paid to pilot projects for reform. Stock share system pilot projects should continue to be run steadily in a small number of enterprises, chiefly those having a system of public ownership. During 1989 and 1990, stock share system pilot projects should be mostly of the kind in which no stock shares are issued to society, staff members and workers within enterprises holding shares, and enterprises holding shares among themselves, as well as the running of pilot projects in which state-owned enterprises that practice pledge contracting by all personnel can convert pledge money into money paid for shares. Close attention should be given to the pilot projects for all-around reform being run in Taiyuan City and Yuanping County. More should be done to propagandize public opinion, and to do theoretical policy research on reform, focusing on misunderstandings and doubts currently existing among some cadres and the masses about the policy of reform and opening to the outside world, publicizing, by way of seeking truth in facts, the achievements made in 10 years of reform, correctly analyzing the difficulties encountered in reform, pointing out the direction of reform, and increasing the confidence of cadres and the masses in persevering in reform. Major problems in reform should be studied, and related to the formulation of the province's Eighth 5-Year Plan. An overall conception for plotting reform of the province's economic system over the next 5 years should be studied in order to reduce the blind nature of reforms and increase the predictability of progress in reforms.

4. Further expansion of the opening to the outside world, linking the development of external trade to the use of foreign capital, and the introduction of technology, combining the advantages that the province enjoys in resources with the advantages that coastal areas enjoy in economics and technology to spur the province's economic development. National restriction and reduction of the export of certain major commodities in the nature of resources, and the shortage of commodities in domestic markets during 1989 will impair the province's earning of foreign exchange through exports. As a result, foreign exchange will be in even shorter supply in the province. Increasing foreign exchange earnings will

require active readjustment of the structure of export commodities, exploiting new export commodities in which the province holds certain advantages, including those from the chemical industry, machine industry, and metallurgy industry in an effort to expand foreign exports. International markets must be opened further, and marketing channels widened. Continued improvements must be made in the contract management responsibility system for exports. Production enterprises have to change from simply supplying goods to directly contracting exports; and foreign trade enterprises have to change from the purchasing system to the agent system. Continued close attention is to be given to the building of export commodity bases to insure stable sources of supplies of goods for the export trade. Tourism, and external contracting of vocational and labor cooperation is to continue to be developed to increase foreign exchange earnings from invisibles.

Greater strides should be made in the use of foreign capital. The climate for investment by foreign traders should be further improved in an effort to operate a number of Sino-foreign joint ventures, cooperative ventures, and foreign trader sole proprietorship enterprises in the energy, transportation, chemical industry, machinery, electronics, building materials, light industry, and textile industry fields. In addition, active efforts and use should be made to get and use preferential loans from foreign governments and world financial organizations. Shanxi Province's second "two knowhows and one economization" [lianghui yijie 0357 2585 0001 4634] campaign is about to begin. We must use a summarization of experiences gained in the previous campaign to do a better job on this one. We must make sure to work on on jobs for which contracts are signed to advance the province's economic and technical, as well as its cultural exchanges and cooperation.

In the development of economic and technical cooperation and partnerships with coastal areas, we must make sure to carry out the economic and technical cooperation projects that the province discussed and decided upon with coastal provinces and cities in 1988, making new advances in the importation of capital and technology from coastal provinces to develop the province's consumer goods industries.

VII. Greater Efforts in Building Socialist Spiritual Civilization for the Gradual Creation of a Fine Social and Political Environment

Practice in reform and opening to the outside world tells us that the building of a distinctively Chinese brand of socialism requires maintenance of close attention to both material civilization and spiritual civilization. We must persevere in the development of the socialist commodity economy with one hand, and take firm grip on work in the ideological and political area with the other. In recent years, certain degenerate phenomena have arisen and spread, showing that unless firm grip is taken

on the building of socialist spiritual civilization, it will be very difficult to carry out reform and opening to the outside world smoothly.

Good performance in building spiritual civilization requires that we use our political advantages to the full, improving and bolstering ideological and political work, genuinely doing a good job of providing education in the party's basic line, education in arduous struggle, hard work and thrift in building the country, education on the situation, and education in vocational ethics to stir the patriotic ardor of the broad masses to carry forward a spirit of contribution to the motherland and to society. When devoting major efforts to developing a socialist commodity, we must be mindful of both material interests and also oppose "looking for money in everything." We must form a mass consensus on the situation, inspire and mobilize the masses to devote themselves actively to improving the economic environment and restructuring the economic order, and to the deepening of reform. It is necessary to carry forward the fine traditions of self-reliance and arduous struggle, and carry forward the striving spirit of the revolutionary war era to triumph over difficulties encountered in economic life and reform. All trades and industries should energetically encourage a social ethos of mutual respect, mutual concern, mutual assistance, respect for the old and love for the young. A mass campaign to change prevailing habits and customs should be launched to demolish feudal superstition, mercenary marriages, lavish display at weddings and funerals, and such outmoded conventions and undesirable customs, and feudal concepts, encouraging and establishing new socialist concepts, new virtues, and a new ethos.

The building of spiritual civilization requires strenuous efforts to raise the scientific and cultural level of all the people, ideological and ethical standards, and an awareness of civilized life. Newspaper, publishing, radio broadcasting, television, culture, and art departments carry heavy responsibilities in the building of socialist spiritual civilization. All mass broadcasting media and propaganda media are to bend great efforts to propagandizing and initiating uplifting, healthy, and lofty people and events to provide people with powerful spiritual encouragement. They should be given increased press, radio broadcasting and television coverage, full use made of the impetus that public opinion provides to channel and supervise. Publications are to be diligently examined and rectified, and greater control exercised over the book, audio, and video markets in a determined effort to get rid of all lewd and pornographic things. Culture and art should maintain an orientation of serving socialism and serving the people; a policy of letting a hundred flowers blossom and a hundred schools of thought content should be carried out, the varied and multilevel needs of the cultural life of the broad masses constantly satisfied, and national spirit roused to advance social progress. More should be done to supervise and preserve cultural relics.

A good job of planned parenthood, and the development of health and athletic activities are important aspects of improvement of the quality of the whole nation. Right now the province is at a new peak period in childbearing in which the task of controlling population increase is a daunting one. People's governments at all levels will have to create a greater population awareness, and per capita concepts, unswervingly, assiduously, and fully carrying into effect existing planned parenthood policies. They will have to encourage late marriages and late childbearing, and fewer but finer births, uphold only a single child per married couple, and resolutely halt multiple pregnancies, early marriage and early childbearing. The focus of planned parenthood work is on rural villages where efforts are to be made to change the situation prevailing in some places of allowing population growth to take its course. More should be done about controlling childbearing among the floating population, plugging the loopholes of giving birth in secret and away from home. All society should show concern for and cherish comrades engaged in planned parenthood work, lending support to them as they do their work. Efforts should be made to develop health and physical education endeavors to improve the people's physical condition and to improve the health of the whole people. Medical treatment and health should uphold a policy of prevention first; more should be done to build medical treatment, sanitation and health care networks; the shortage of doctors and the lacks of medicine in rural villages should continue to be changed; a widespread city and countryside patriotic health campaign should be launched; and firm attention should be given to the prevention and control of various infectious diseases, vocational illnesses, and local illnesses. Great attention should be given to the development of Chinese medicine. Firm grip should be taken on the building of medical ethics and medical work style to improve the quality of medical treatment. The increasing aging of the population has become a social problem. All society should be concerned about and support old age work. In physical education, the launching of a mass physical education campaign should be done in conjunction with the development of sports education. Attention should be paid to childrens' physical education and physical education in schools to improve the physical quality of youngsters. In addition, physical education campaigns for the middle aged and elderly should be actively launched. In athletic education, a solid job must be done of basic training to improve sports competition ability.

Greater efforts should be made to build socialist democracy and a socialist legal system, perfecting the democratic supervision system, and assuring the democratic rights of the broad masses of people. Further work should be done in carrying forward the role of people in all walks of life taking part in and discussing politics to consolidate and develop a stable, united, democratic, and harmonious political situation. The provincial people's government should continue its good job in soliciting suggestions from the mass of people, thereby enabling this system to endure for a long time. It is

necessary to continue to do more to build government legal institutions centering around improvement, rectification, and the building of honest government, perfecting administrative rules and regulations, strict enforcement of laws, rules and regulations, making the most of the supporting role of the legal sector including the role of lawyers and notaries. Educating cadres and the masses in the socialist legal system should be continued for realization of plans for popularizing knowledge of the law over a 4 year period, increasing the awareness of the law of the people as a whole. More is to be done to build grassroots political power, making use of the role of grassroots organizations in the building of the two civilizations.

Continued efforts should be made in maintaining social order. Quite a few problems in social order exist today about which the masses have many complaints. We must make further use of the functions of public security and judicial departments, while simultaneously relying on the broad masses of people to exercise common control to enhance public order. Effective struggle should continue to be carried out against specific evils to crackdown severely and quickly, in accordance with the law, on criminals who damage social order, strictly investigate and punish all forms of economic crimes, particularly focusing on graft and bribe taking, and resolutely ban and stamp out gambling, prostitution, and pornographic materials. Crackdowns should be carried out in conjunction with prevention, the successful experiences of the Yijing District of Taiyuan City and of Hongdong County in mass prevention and control continuing to be promoted, doing more to build grass roots political and legal organizations and mass prevention and control networks, mobilizing and organizing forces throughout society, and implementing various measures for tackling problems in a comprehensive way to improve the ability to control and guard against crime. A good job is to be done in remodeling and transforming personnel sentenced to reform through labor and reform through indoctrination, efforts made to bring the recidivism rate to the lowest limits. Special attention and actions are to be taken to prevent young people from committing crimes. Attention should be given to prompt mediation, channeling, and correct handling of all social contradictions to prevent them from becoming worse. More should be done to build ideology and work style in the public security, judicial, and people's armed police corps, maintaining strict vigilance to improve the political and professional quality of those who enforce the law. In order to maintain social stability and the ability of the people to live and work in peace and contentment, active efforts must also be made in developing social support endeavors, a good job done in giving special care to disabled servicemen, and to family members of revolutionary martyrs and servicemen, in providing disaster and emergency relief, and in social welfare work and providing help to the handicapped, and a good job done in finding employment for personnel looking for jobs.

Government at all levels should improve education in national defense, make all the people more conscious

about national defense, actively support the building and reform of the armed forces, and further cement relations between the armed forces and the government, and between the armed forces and the people.

VIII. Eradication of Corruption To Maintain Clean Government

With the deepening of reform and opening to the outside world, and the development of the commodity economy, the building of clean government has become a matter of major importance that relates to success or failure in reform and economic construction. Ever since the CPC Central Committee called for the maintenance of honesty in party and government organs, Shanxi Province has adopted a series of measures to bolster the building of clean government. Governments at all levels have placed clean government on their important daily agenda, setting up inspection organs, further staffing the inspection ranks, launching inspection activities, and investigating and punishing a number of cases in violation of discipline and the law. They have also begun to formulate various clean government measures and a "two opens and one supervision" system for handling matters. A campaign to build clean government centering around opposing corruption and bribery is unfolding throughout the province.

Most of the cadres in the province's government organs are honest in the performance of official duties, diligently and consciously serving the people. They have withstood the test of reform and opening to the outside world, making personal contributions in a variety of positions. This is the mainstream of the cadre corps. Nevertheless, one must clearly realize that during reform and opening to the outside world when the commodity economy is becoming vigorous, and when administrative actions, market actions, and enterprise actions have yet to be closely regulated by law, it is easy for corrupt behavior such as exchanges of authority for money to arise and spread. A small number of people in government organs, particularly those having authority over personnel, financial and materials resources have not stood the test. Incidents of graft and bribe taking, extortion and blackmail, squandering and waste, and moral degeneracy have occurred. Although such corrupt behavior has involved only a small number of people; it interferes with and damages reform, opening to the outside world, and economic construction, tarnishes the image of government in the eyes of the people, and damages the interests of the country and the masses.

Doing a good job in building clean government requires the application of economic, administrative, legal, disciplinary, and ideological and political work methods, keeping fully alert to tackle problems in a comprehensive way. It is necessary to concentrate forces to investigate and punish cases of economic corruption and bribery that cause serious harm, severely punishing criminal elements who have aroused very great popular ire; strictly investigating and punishing leaders concerned and those directly responsible for handing out money

and materials right and left, squandering public funds on entertaining guests and gift giving, eating and drinking lavishly, traveling around enjoying themselves, and illegally constructing private dwellings; and strictly investigating and punishing bureaucratism, neglect of duty, and dereliction of duty by government workers, particularly leading cadres. Investigating and punishing cases requires that one dare to act tough, investigate fully, and publicly punish classic cases. It is necessary to uphold resolutely the solemnity of government directives and laws, correcting irregular and undisciplined behavior in which directives are not carried out, and proscribed activities are not halted. It is necessary to establish and perfect a system of honest government, hasten progress in greater use of the legal system and greater democracy, increasing the transparency of political activities, and improving limitation mechanisms, all exercises of authority thereby being limited by laws and the system, and under supervision of the broad masses of cadres and the people. Building of the system should begin with "two opens and one supervision," by which is meant openness about the system for dealing with matters, openness about the outcome of matters dealt with, and reliance on supervision from the masses. The place to start is "hot spots" about which the masses have the greatest complaints and show the greatest concern, taking firm hold of the links at which corruption is most likely to arise. Government departments having authority over personnel, financial, and materials, and key units for the building of clean government. At the present time, openness in government administration should be carried out in the following regards: First is openness in the supply and distribution of means of agricultural production such as chemical fertilizer, agricultural pesticides, plastic mulch, and diesel fuel; second is openness about enterprise contracting, investment in capital construction, the collection and control of tax revenues, fines for violations of rules and regulations, and various fees; third is openness about planned parenthood norm assignments, assignments of housing to staff members and workers, use of funds for disaster relief, and examination and approval of peasant residence sites; fourth is openness about hiring of workers and change of household registration status, enrolling of students and their work assignments, promotions and increases in rank, deciding professional job titles, and cadre transfers. These are matters having a direct bearing on the interests of the broad masses. Excepts for matters concerned with national security, the system for handling matters, the procedures by which matters are handled, the full name of responsible persons, and methods for supervising and making reports to the authorities should be publicized to the masses and be placed under supervision of the masses.

Government leaders at all levels should take the lead in clean government, acting as personal examples. All matters that organs at lower levels are required to do, organs at higher levels should do first. Everything that the broad masses of cadres are asked to do, leaders should do first. Whatever the lower levels are prohibited from doing, one

should positively not do oneself. In addition, an in-breadth and in-depth campaign of education in clean government should be launched to raise the awareness of the cadre ranks in serving the people. Governments at all levels should formulate and perfect administrative regulations, improve the building of internal systems, establish self-restraint mechanisms in the exercise of authority, the authority of government workers thereby being limited. Working personnel in government organs should be subject to regular examination, the superior ones rewarded and the inferior ones punished. More should be done to educate grassroots supervisory and law enforcement personnel to improve their political and professional quality. Those who are honest in the performance of their official duties should be commended and rewarded.

Along with improvements in building the system must be in full use of the total effectiveness, the mutual coordination, and the coordination work of the supervisory system. Industrial and commercial, tax, auditing, and public security units' responsible for law enforcement and supervision must do more in building their own organizations to enforce the law impartially. Supervisory departments at all levels should place the work emphasis on better supervision of law enforcement insuring that government directives are carried out smoothly, investigating and punishing corruption and bribery, extortion and blackmail, and all sorts of corrupt actions in which authority is misused for private gain. People's governments at all levels should willingly accept supervision from the masses of people, conscientiously deal with visits and letters from the masses, establish and perfect a system for social discussion and dialogue, and maintain a system for mass informing. Personnel who perform meritorious service in informing are to be commended, protected, and given awards. Those who seek to take revenge against informers or those who inform in order to frame others, are to be investigated and dealt with according to law. Supervision must be willingly accepted from people's representative assemblies and their standing committees, and from people's delegates; the decisions of people's representative assemblies are to be diligently enforced. Supervision of people's political consultative conferences, all democratic parties, and mass organizations is to be welcomed. Regular attention is to be given to the views and suggestions about government work of democratic parties, patriots lacking party affiliation, and mass organizations for the gradual regularization and systematizing of political consultation and democratic supervision. The media should be encouraged and supported in providing criticism and suggestions about government work at all levels, all corrupt behavior brought into the open being investigated and dealt with one by one, and the results of the investigation and disposition published to improve the effectiveness of public opinion supervision.

Realization of the various tasks for 1988, and doing a good job in improving the economic environment and restructuring the economic order, and in deepening

reform will require that government workers at all levels bend efforts to improve their ideological style and their work style. They will have to strengthen discipline to safeguard consensus on major policies. The broad masses of cadres, particularly leading cadres at all levels will have to be good civil servants, establish a mentality of serving the people wholeheartedly, adhere to the ideological line of seeking truth in facts, carry forward a spirit of pioneering, advancing, and dealing with concrete matters, delve into realities, survey and study, genuinely listen to complaints from the grassroots and from the masses, and study and solve real problems. More should be done to educate and train workers in government organs, raising their ideological and professional quality. It is necessary to overcome superficiality in work, footdragging in handling matters, passing the buck back and forth, and irresponsible bureaucratic work style, doing more real work, uttering fewer empty phrases, speeding up work rhythm, and improving efficiency.

Delegates! The government's work tasks for 1989 are daunting and strenuous. We will have to unite under leadership of the party to leading the people of the whole province, rouse spirits, bolster confidence, struggle arduously, and work hard to overcome the various difficulties on the road ahead, continuing to move ahead with the socialist modernization of the province while improving the economic environment and restructuring the economic order, and deepening reform.

COMMERCE

Computer Virus Spurs Call for Copyrights

40080239B Beijing DIANZI SHICHANG
[ELECTRONICS MARKET] in Chinese 14 Aug 89 p 1

[Article by Jiang Guozhong (1203 0948 1813) and Xiao Zhong (2556 6988): "Computer Viruses Have Invaded China; Experts Appeal: We Should Draw Up Copyright Laws as Quickly as Possible and Concentrate on Efforts To Vaccinate and Eliminate Viruses"]

[Text] The fact that computer viruses, already terrorizing computer circles throughout the world, have now invaded China has been proved several times over. Reports indicate that many computers in statistical systems throughout China have become infected, seriously obstructing normal system operation. Experts are warning that we should pay full attention to this phenomenon.

According to reports from the Computing Center of the Bureau of Statistics in Dalian City, all M24 microcomputers at the center have become infected with a computer virus that is infecting statistical systems throughout China, a virus that can quickly infect IBM PC's and compatibles that use MS-DOS [see JPRS-CST-89-014, 18 Jul 89, pp 46-47].

Although programs and data on either floppy or hard disks in computers infected with this virus have not been damaged, when running normal data processing, many small bouncing balls will frequently appear on the screen. This can only be stopped by resetting the system or by turning it off, which then adversely affects normal operation of the computer. The Computing Center of the Dalian Bureau of Statistics has been plagued by this "virus" for nearly half a year.

This virus is quite contagious, and as soon as an uninfected floppy disk is placed in an infected computer there is the possibility of infection, and then the disk goes on to be the medium for reckless propagation. During the 1988 statistical-year reporting period, all the districts and counties of Dalian became infected with this computer virus because of annual report programs written or copied on "infected" microcomputers at the Computing Center.

Certain experts have pointed out that one reason computer viruses have poured into China is that there is no copyright law, and some units freely copy foreign software, which gives the virus opportunity for invasion and has now seriously threatened the security of computers and data on our mainland. It is for this reason that we must heighten our awareness, hasten the creation of a copyright law, and rapidly turn our attention to vaccination and virus elimination.

FOREIGN TRADE, INVESTMENT

Changes Urged in Use of Foreign Capital

900H0089A Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese,
No 9, 11 Sep 89 pp 40-45

[Article by Zhang Zhonghua (1728 0022 5478), doctoral candidate, Finance Research Institute, Ministry of Finance: "Problems, Remedies in China's Use of Foreign Capital"]

[Text] Since reform, China's use of foreign capital has not only made up for the domestic shortage of savings to hasten the opening up of the country's resources and develop the economy, but the importation of advanced technology has also accelerated technological transformation, and structural readjustments. Nevertheless, some problems requiring solution still remain.

I. Overheating of the Economy Makes Speed of Increase in Foreign Capital Difficult To Sustain

Between 1979 and 1987, China used a total of \$37.5 billion in foreign capital. Use of foreign capital increased 43.7 percent from 1983 through 1987. Even though the basic figure for China's use of foreign capital is small, most of it has been borrowed during the past several years. The debt payment peak has yet to arrive. As a result of the very fast rate of growth of foreign debt, the 1987 debt payment rate, liability rate, and foreign capital

dependence rate was 12.5, 10.2, and 9.5 percent, respectively.¹ The internationally recognized standards are a 20 percent debt payment rate, a 30 percent liability rate, and a 10 percent foreign capital dependence rate. China should control these rates at a 15 percent debt payment rate, a between 15 and 20 percent liability rate, and a 10 percent foreign capital dependence rate. In long-range terms, this speed of increase in the use of foreign capital and the foreign debt cannot be sustained. According to our calculations, if the foreign debt balance, current account foreign exchange earnings, and gross national product are maintained at the speed of growth between 1986 and 1987, by the year 2000, the liability rate will reach 45.07 percent. This is obviously impossible. Supposing a 10 percent speed of growth in gross national product, and a 12 percent speed of increase in current account foreign exchange earnings by the year 2000, to control the debt payment rate at 20 percent, the speed of increase in repayment of capital plus interest will have to be controlled at 16.4 percent. To control the debt payment rate at 20 percent, the speed of increase in repayment of capital plus interest will have to be controlled at 14.6 percent. To control the liability rate at 20 percent, the speed of growth of the foreign debt balance will have to be controlled at 16.3 percent. To control the liability rate at 15 percent, the speed of increase in the foreign debt balance will have to be controlled at 13.6 percent.

Corroboration may be found in two additional forecasts. One is from Mr Makoto Kobayashi of Japan, who forecast in 1983 that for China to control its debt payment rate at 15 percent from 1984 through 2000, it could import \$195.9 billion of foreign capital, \$5 billion of it in 1987. To control the debt payment rate within 20 percent, it could import \$276.9 billion in foreign capital, \$6 billion of it in 1987. Mr Makoto Kobayashi believed that the former was the more appropriate of the two. The latter was more courageous, requiring an increase in the international competitiveness of export industries, while keeping an eye on the stability of the world economy at the same time. In 1987, China's foreign loans amounted to \$5.805 billion; it was using \$8.452 billion of foreign capital, and its foreign liabilities stood at \$9.25 billion yuan. The second corroboration comes from the forecast of a comrade in a Chinese departments concerned, which said that if the annual rate of increase in foreign debt is 6 percent, with the annual repayment rate being controlled at 15 percent, by 2000, China will have contracted \$21.2 billion in foreign debt for a foreign debt balance totaling \$80 billion with a 17.21 percent debt repayment rate in that year. Capital and interest repayments will amount to \$21.6 billion, the contracted foreign debt not being sufficient to repay capital plus interest. If the foreign debt rate of increase is 12 percent per year, and the average payment rate is controlled at 20 percent, making a borrowed foreign debt of \$34.1 billion by 2000 for a debt balance of \$113.7 billion, the debt payment rate for that year will reach 21.99 percent. China's foreign debt rate of increase in recent years has been much higher than 6 percent or 12 percent. If this

situation continues, the debt payment rate will break 15 or 20 percent without doubt.

The conclusions reached in the foregoing three forecasts are virtually synonymous. China's use of foreign capital has now reached a considerable scale in terms of the absolute amount; however, it does not exceed the country's present debt payment capability, and its liability capability. In terms of speed of development, the foreign debt is increasing too fast. The speed of increase in the country's external debt must be slowed.

The overly rapid increase in foreign debt is attributable to an overly rapid increase in imports relative to exports, occasioning too great an expansion of the gap between foreign trade receipts and expenditures. The reason for the excessive increase in imports is the large increase in domestic investment needs and consumption needs. The greater the gap between domestic supply and demand, the greater the pressure on imports. From 1978 through 1986, the country's foreign trade increased rapidly, exports averaging an annual 15.5 percent increase, and imports averaging an annual 18.7 percent increase for a cumulative \$28.69 billion shortfall between imports and exports. The years of trade deficits were 1978 through 1980 and 1984 through 1987, the highest trade deficits occurring in 1979 and 1985. This happens to coincide with the country's two overheatings of economic growth in recent years.

When foreign debt is incurred, both capital and interest must be repaid. Once the scale of foreign debt has increased, foreign trade exports must be expanded in order to be able to repay both capital and interest. The overly rapid speed of increase in foreign debt during recent years, by contrast, has placed enormous pressures on the export trade, requiring that China export some products for which the costs for earning foreign exchange are very high, or that are in extremely short supply inside the country. This not only leads to a deterioration of the export product mix, and a lowering of economic returns from exports per se, but also conversely intensifies the conflict between domestic total supply and total demand, and conflicts in the product mix. A look at the export product mix shows the domestic supply of pork, energy, processed steel products, and aluminum as being extremely short in recent years; yet, it has been these very items that have been the chief export products. In 1987, China exported 3.02 million live hogs having a value of \$200 million, 99,964 tons of fresh pork having a value of \$170 million, 9,375 tons of canned pork having a value of \$160 million, 13.53 million tons of coal having a value of \$480 million, 27.23 million tons of crude oil having a value of 3.14 billion, 22,298 tons of processed steel having a value of \$38.35 million, and 20,155 tons of processed aluminum having a value of \$33.32 million. Looked at in terms of foreign trade returns, the country's foreign trade deficit has increased every year since 1980. In 1986, the deficit of foreign trade enterprises in the Ministry of Foreign Trade system totaled 23.284 billion yuan, reaching 26.264 billion yuan in 1987. (After deducting tax refund

income, the deficits were 20.008 billion yuan and 19.531 billion yuan respectively). Clearly, the forced draft of the country's foreign trade exports in recent years is both an inevitable result and a reflection of the overly fast increase in foreign debt.

The effect of the overly large total demand on the size of the foreign debt is also manifested in the relative inflation of the country's currency, and in the expansion of its foreign debt. During the past several years, the renminbi exchange rate for foreign currencies such as the American dollar, the Japanese yen, and the West German mark has declined, thereby relatively increasing China's foreign debt burden.

Generally speaking, a decline in foreign exchange rates helps increase exports; however, the decline of China's foreign exchange rate in recent years has not markedly encouraged exports. The reasons are as follows: China's exports consist primarily of primary level products and light industrial and textile products. In 1985, these two categories of exports accounted for 86.1 and 79.6 percent of the country's exports. For these exports, there is relatively low export price supply elasticity and foreign price demand elasticity. The positive role of foreign exchange devaluation on their export becomes limited. Second, when China's domestic demand is too great, supply cannot meet demand for staple export commodities. This occasions a general rise in prices, so the role of a decline in exchange rates is very quickly offset by currency inflation. This leads to further currency overvaluation, which hurts exports.

Generally speaking, a fall in foreign exchange rates can restrain exports; however, the fall in China's foreign exchange rates in recent years has played no marked role in restricting imports. The reasons are as follows: China's pricing system is extremely irrational. Some imported commodities are sold in domestic markets at less than the international market price, the difference being government subsidized. A serious structural disjunction exists between prices in China and international market prices. In recent years, a great shift has occurred in consumer demand toward durable consumer goods. Prices of foreign durable consumer goods are cheap, so with the decline in foreign exchange rates, it would make sense to import them. China's foreign trade system is irrational, a serious situation existing of duplicated imports, and ill-advised imports.

Given the background to China's current economy, devaluation of exchange rates cannot play a role in encouraging exports and restricting imports, but rather it produces numerous side effects as follows: First of all, following the devaluation of exchange rates, prices of most export commodities remain unchanged. Some prices fall, and though some rise, the percentage of the rise is less than the percentage of foreign exchange devaluation. This means a large amount of export commodities are needed to get the same amount of foreign exchange, thereby increasing export pressure, which leads to a worsening of the shortage in domestic supply.

Since the amount of exports continues to increase without let up, either exports or the foreign debt must be increased. In a situation of elasticity in the supply of exports and limitation of domestic demand, foreign borrowing becomes the major way in which to support imports. Second, China is a debtor nation that mostly has to repay principal with interest in foreign currency, so once foreign exchange is devalued, it has to export more in order to be able to repay, thereby relatively expanding the size of the foreign debt, and relatively increasing the liability rate and the debt payment rate. Figured at a 1:6 exchange rate, China's actual liability rate in 1987 was 16.4 percent. One point worth noting is the gap between the official rate of exchange and the negotiated price and black market price. This poses enormous difficulties for readjustment of the exchange rate and the management of foreign exchange. Unless vigorous action is taken to curtail total domestic demand, to eliminate currency inflation, to increase the international competitiveness of exports, and to lower export costs, it will be difficult to avoid further decline in the renminbi foreign exchange rate, which will consequently bring about further relative expansion in the size of the foreign debt. We must fully understand this.

In summary, China's overly rapid increase in foreign debt during the past several years is attributable to a large total domestic demand. Conversely, the excessive foreign debt has caused an expansion of total demand at a time of sustained and protracted imbalance between total demand and total supply that exceeds the ability of the domestic economy to bear. This plays a role in adding fuel to the flames of already overheated economic growth, thereby deepening contradictions in development of the national economy.

II. Irrational Structure Difficulties in Debt Payment Tending To Increase

During the past several years, the structure of China's use of foreign capital has been undergoing constant changes and readjustments, some of them tending toward a more rational structure, and some of them tending toward a worsening structure.

China's short-term unfunded debt stood at 22.2 percent in 1986, higher than the unfunded debt of the world's three major debtor nations, namely Brazil (12.6 percent), Mexico (5.8 percent), and Argentina (14.3 percent). The intermediate and long-term unfunded debt percentage declined tremendously. In 1987, it declined to 34 percent in a 12 percentage point decline from the Sixth 5-Year Plan period. This meant a shortening of the interval between inflow and outflow of foreign exchange, advancing the debt payment peak.

Following the 1979 promulgation of the "Chinese and Foreign Joint Venture Enterprise Code," foreign trader direct investment gradually increased; however, in 1985 the percentage of foreign trader direct investment began to decline, and the percentage of foreign loans began to rise.

Up until 1983, China's main source of loans was foreign governments and international financial organizations. Their terms were long and their interest rates low. In recent years, the percentage of commercial bank loans and the issuance of foreign debentures and stock shares has risen rapidly. In 1987, the percentage of foreign commercial bank loans stood at 44.4 percent, and the percentage of foreign debenture and stock issuances stood at 21.4 percent, the two totaling 65.8 percent. This was far higher than the level of foreign capital used by developing countries during the initial period, and was also higher than the current level. In 1970, developing countries in general received 50 percent of their foreign capital from foreign governments or international organizations. Low income countries got 78 percent of theirs from the same sources. This percentage declined by 1983, but it was still 46 and 45 percent respectively.

China's foreign debt is denominated mostly in Japanese yen, American dollars, and Hong Kong dollars. In 1987, the proportion of Japanese yen and American dollars stood at 37.6 and 29.8 percent respectively. This monetary mechanism is very different from China's export exchange earnings monetary mechanism. China's export trade is denominated in American dollars for the most part, Japanese yen accounting for only 10 percent of export earnings in 1986. Thus, China has to use devaluated (relative to the Japanese yen) American dollars to repay appreciated Japanese yen. China has consequently suffered very great losses. It is estimated that China's resulting foreign exchange losses amounted to more than \$3 billion yuan in 1986.

China uses too high a percentage of foreign capital in tertiary industries, and too low a percentage in primary and secondary industries. The percentage used in basic facilities and basic industries tends to be too low, and the percentage used in ordinary processing industries tends to be too high. The percentage used for the importation of advanced technology tends to be too low, and the percentage used to import complete plants and complete assemblies tends to be too high. The percentage used to expand exports tends to be too low, and the percentage used to produce goods sold domestically tends to be too high. Data from the Foreign Exchange Bureau show that in 1987, 1.8 percent of the foreign debt was used in agriculture, animal husbandry, and the fishing industry, while 2.2 percent was used for commercial and residents' services; 26.9 percent was used for communications, transportation, and energy, and 42.5 percent of it was converted to loans, most of which were for ordinary processing industries.

There is serious convergence in the regional distribution of foreign capital, which leads to a large amount of duplicatory imports and duplicatory construction, most notably duplicatory investment in household electrical appliances, woolen textiles, western clothing, beverages, and toys.

The irrational structure of foreign capital results from too high a speed of economic growth requiring large

amounts of foreign capital for its support. However, there is a limit to the amount of preferential loans from governments and international financial organizations, which means it is necessary to use a large amount of commercial credit or to issue stock shares and debentures. Because of the rapid growth of the economy at a speed greater than planned, the large amount of unanticipated suddenly occurring loans narrows the room for maneuver of borrowing nations in talks about loans. The borrowing country's time for making choices is limited; it has no choice but to accept foreign capital for a limited time period, at a high interest rate, that provides little preference, and carries large exchange rate risks. High speed economic growth has created fine investment expectations, which causes central government departments, local governments, and investors at all levels to underestimate the risks of foreign capital. This has led to mutual competition to borrow money, and duplicatory investment. Clearly, the irrational foreign capital structure is an inevitable result and manifestation of the rapid speed of increase in foreign capital.

Conversely, the overly high percentage of intermediate and short-term credit, commercial credit, and hard currency loans, and the irrational mix of departments and areas using foreign capital have relatively increased the difficulty of repaying foreign capital, thereby deepening the problem of the size of the foreign debt. Too large a percentage of intermediate and short term credit shortens the time interval between foreign exchange inflow and outflow. An increase in the percentage of commercial credit adds to the interest burden for the use of foreign capital. Too high a percentage of hard currency increases foreign exchange rate risks. All these things have a direct bearing on the country's foreign debt burden. The foreign capital utilization structure is closely interwoven with the consumption structure, the industrial structure, the regional economic structure, and the import and export structure. Foreign capital in general is linked to the importation of advanced technical equipment, and it spurs domestic capital, which is associated with it, and generates an exemplary effect on domestic investment. Because of the irrational structure of foreign capital use in recent years, foreign capital has not been able to play the role it should in promoting technological progress, and making the national economic structure more rational. A disjointedness exists between the use of foreign capital and increasing exports that earn foreign exchange. There is no benign cycle between the two; consequently, expansion of the size of the debt cannot be supported by the increase in debt repayment capabilities. Conversely, the trend is toward a widening of the gap between the size of the debt and repayment capabilities.

It is worth noting that when comparing structural problems with size problems, there are hidden elements in structural problems that are not easily recognized, and that are also fairly difficult to readjust; consequently, they pose a greater danger than with size problems.

III. Too Hurried Reform and Too Great a Decentralization of Foreign Capital Control Authority

The reforms of recent years have played a positive role in breaking down the formerly overconcentrated foreign capital control system to advance the opening to the outside world and the development of the country's economy. This should be fully endorsed. However, some problems exist.

In selecting the opportune time for reform, reform of the foreign capital system went from reform in tandem with domestic reform to going faster than domestic reform. Even before local governments and enterprises received permission to raise capital in domestic markets, some of them received permission to raise capital in international markets. Some local government and departments had more authority to examine and approve investment by foreign traders and joint ventures than they had to examine and approve domestic investment. This had the advantage of promoting rather rapid development of the external economy even before transformation of the whole system; however, it did this at the price of increasing costs in opening to the outside world. Because no tangible advances were gained in the political system, political efficiency was low, and the offering and acceptance of bribes, as well as the misuse of authority for private gain were universal phenomena. Because no microeconomic responsibility restriction mechanism was built, enterprises, local governments, and departments blindly expanded their use of foreign capital, the central government having to bear responsibility when they were unable to repay the capital and interest at the time they came due; and because Sino-foreign joint ventures enjoyed preferential treatment with regard to examination and approval authority, and tax payments, some units used every available means to cooperate with foreign traders in order to gain the preferential treatment accorded Sino-foreign joint venture enterprises. This led to a lowering of requirements for foreign traders, and also made difficult the regulation and control of investment in the country.

In the basic orientation of reform, reform of the foreign capital system and reform of other systems converged. The basic thrust of reform in recent years has been as follows: Gradual curtailment of the percentage of centralized government borrowing and repayment of foreign capital, with the building of a self-limiting and self-developing economic mechanism in which the units that use foreign capital borrow it and repay it themselves; simplification of examination and approval formalities and procedures, with adoption of several preferential measures to encourage foreign trader investment. The current percentage of foreign debt that local governments, departments, and enterprises have incurred and must repay far surpasses the percentage that government has borrowed and has to repay. Units authorized to incur foreign debt are as follows: the Ministry of Finance, the Ministry of Foreign Economic Relations and Trade, the Chinese People's Bank, the Bank of China, the China Trust and Investment Company, the Investment Bank,

the Bank of Communications, the Chinese People's Construction Bank, Guangdong Province, Fujian Province, and the three cities of Shanghai, Tianjin, and Dalian. Furthermore, each of five provinces and municipalities, including Guangdong Province, have conferred authority to make foreign loans on various constituent organizations. In addition, more than 174 financial institutions are authorized to make foreign loans, subject to approval from the People's Bank. Some people in foreign countries estimate that more than 1,700 units in China have made foreign loans. This shapes a highly decentralized pattern of external loans. In addition, local governments possess considerable authority to control investment by foreign traders. Shanghai and Tianjin may approve projects for under \$30 million, and Beijing, Liaoning, Dalian, Guangdong, and Fujian may approve projects for under \$10 million. Other provinces, municipalities, autonomous regions, and separately listed plan cities may approve projects for under \$5 million. Appropriate delegation of authority is necessary; however, the delegation of authority must be premised on the strengthening of macroeconomic regulation and control capabilities as a foundation for limiting more the responsibility of those who have authority. As one aspect of the total economic system, reform of the the foreign capital control system has to be consistent with reform of the entire system. However, foreign capital possesses numerous features of its own, and its reform must be consistent with the requirements of these features. The reforms of the past several years have neglected these peculiarities; the result has been too much decentralization. Individual areas, departments, and enterprises scrambled to get loans from outside the country and to issue debentures. One area competed with another area, one department with another department, one enterprises with another, and areas, departments, and enterprises all competed with each other in the same financial markets, leading to a rise in the cost of borrowing money. In order to repay foreign loans, local governments, departments and enterprises vied with each other in frenzied competition to increase exports. Since export deficits were borne by the state, exporting units outbid each other to buy export products from the domestic market, and underbid each other to sell them abroad, causing a decline in returns from exports. Too much decentralization led to loss of control over the speed of growth of indebtedness, an irrational structure, and were a major reason for poor economic performance. Because of the too great decentralization, the state was unable to know for sure just how many units were raising capital in international capital market to say nothing of being able to control and guide them effectively.

In meshing the system for using foreign capital with other systems, everyone went his own way in reform, without coordination. For example, for the past several years we set very strict rules regarding the foreign sales rate for products from joint venture enterprises while allowing large scale importation of the same kinds of products produced in foreign factories. As another example, the state levied a 15 percent income tax on

foreign-funded enterprises in the country's special economic zones, and provided preferential tax reductions or exemptions on the basis of the length of time the enterprise had been operating, whether further investment was made, and the percentage of products exported. However, this policy did not distinguish among different kinds of industries, so it played a minimal role in regulating the pattern of investment. Because of the lack of a clear-cut industrial policy, the special economic zones had generally too high a percentage of service industries, consumer goods industries, and industries for the processing and assembling of materials and components brought in from abroad, and too low a percentage of high grade, precision, and advanced industries, and high technology developmental industries.

During the past several years, reform of the foreign capital system has been closely linked to the ups and down in economic development. In 1978, some unrealistically high norms were proposed, and a large amount of complete plants imported, which led to a serious shortage of foreign exchange, necessitating borrowing from foreign banks. In order to quicken the pace in doubling the national economy, the authority of prefectures, departments and enterprises to use foreign capital was expanded in 1984. The foreign debt balance increased rapidly. Because of the ultra-high speed economic growth at the end of 1984, retrenchment measures were adopted in 1985. By the second half of 1985, a little turn for the better was apparent, so controls over foreign capital began to be relaxed. At the end of 1987 and the beginning of 1988, authority for the use of foreign capital was delegated once again, intensifying the country's currency inflation. During the last half of 1988, retrenchment measures had to be adopted. It is worth noting that it was overly fast economic growth during the past several years that compelled the excessive increase in foreign debt. This was reflected statistically in the peak for increase in indebtedness lagging behind the peak for economic growth. After 1984, the fast increase in foreign indebtedness became a factor inducing an increase in the overheating of the economy. Statistically, this was reflected in a convergence of the growth peak for self-incurred and self-repaid loans and direct foreign trader investment with the peak of economic growth (the unified state-borrowed and state-repaid portion continuing to lag).

Looked at in overall terms, anxiety to push ahead with economic development, too much of a hurry about the choice of time for foreign capital management system reform, and too much emphasis on the delegation of authority as a matter of basic orientation led to too great a decentralization of management authority, and malfunctioning of macroeconomic regulation and control. These were the real reasons for the overly fast speed of increase of foreign capital, and the irrational pattern of investment.

IV. Strict Control Over the Speed of Growth of Foreign Capital, Readjustment of the Pattern of Foreign Capital, More Macroeconomic Regulation and Control of Foreign Capital, and Greater Restraints on Microeconomic Responsibility

1. Strict Control Over the Speed of Growth of Foreign Capital

Ultimately, foreign debts must be repaid, and the weaker the ability to repay them, the greater the risk for the borrowing country. The shorter the loan period, the higher the interest rate, and the higher the cost of using foreign capital. Thus, foreign capital cannot be relied upon for long-term support to increase the speed of economic growth; instead, the mobilization of domestic savings and gradual improvement in returns from investment must be relied upon. Up-and-coming developing countries must do all possible to import and assimilate advanced foreign technology, but they must successfully distinguish between the importation of advanced technology and the importation of foreign capital. The key to doing this lies in vigorous development of exports.

Effective control of the speed of growth of foreign capital requires that we employ increase in exports and growth of the entire national economy to restrict the speed of growth of foreign capital. We must use increases in foreign capital to spur increases in exports, and in national economic growth, and we must use the rate of return from each investment to limit interest rates on loans. This entails the formulation of debt repayment rate and indebtedness rate standards to serve as legal norms for controlling the entire country, and each sector and area, no one being permitted to exceed them unauthorizedly. In addition, it is necessary to formulate rate of return, and debt interest rate differential standards to serve as standards for examining and approving loan projects. In order to control the speed of increase in foreign capital today, the speed of economic growth must be reduced, a real decision made to harness domestic inflation. In the process of making economic cutbacks, for some enterprises whose economic performance is poor to have to halt work or decrease production is an extremely normal matter. Decisionmakers should not waver in paying the necessary price.

2. Readjustment of the Pattern of Foreign Capital

In order to reduce loan risks, the state must do all possible to get long-term, low interest foreign government loans or international financial organization loans, while doing all possible to avoid foreign exchange losses caused by the denomination of loans in strong currencies, and strictly controlling short-term commercial loans. International experience and China's own specific circumstances may be used as a basis for drawing up standards for short-term indebtedness ratios, ratios between preferential official loans and commercial loans, and ratios between hard currencies and soft currencies. Loan recovery periods may also be used to limit loan life, and investment rates of return may be used to

limit loan interest rates. Loan periods may not be shorter than loan recovery periods, nor may loan interest rates be higher than investment rates of return.

In order to improve returns from the use of foreign capital, priority should be given to the use of foreign capital to support export industries and enterprises; to support basic facilities and basic industries such as energy, transportation, and raw and processed materials; and to import advanced technology. Strict control should be exercised over the use of foreign capital for ordinary processing industries, and the use of foreign capital to import high quality consumer goods, household electric appliances, and small motor vehicles should be prohibited. Thus, a clear-cut industrial policy is needed, and the industrial policy should be used to draw up industrial priorities for the use of foreign capital. The industrial policy should be applied strictly to the examination and approval of all external loans and direct foreign trader investment. The industrial policy should serve as a basis for framing tax policies, internal finance and banking policies, and price policies.

A pressing matter of the moment in readjustment of the pattern of foreign capital is better intermediate and long range planning of foreign capital use, changing passive use into active use, not waiting until it becomes difficult to balance foreign exchange earnings and expenditures to raise funds hastily. When setting the size of foreign capital, it is necessary to take into consideration requirements for readjusting the pattern of foreign capital, leaving some latitude for greater flexibility, ability to respond to emergencies, and room for maneuver in the use of foreign capital.

3. Greater Macroeconomic Control Over and More Restraints on Microeconomic Responsibility for Foreign Capital

In view of prevailing problems, greater macroeconomic control over foreign capital requires adoption of the following measures:

- A centralized foreign capital control organization, establishing a foreign capital and foreign debt control committee.
- Centralized planning. All foreign capital should be brought under control of state plan. Government organs and state-owned enterprises must present loan plans to planning departments in order to get loans, the units concerned examination and approving them. Other economic organizations must register foreign loans with planning departments.
- Unified control standards. A certain amount of authority must be delegated in order to stir the enthusiasm of departments, local governments and enterprises; however, the central government must draw up unified control standards for matters such as the indebtedness rate, the debt repayment rate, and the ratio of long and short-term loans for all departments and areas in order to limit the actions of local governments and departments at all levels, and also to

provide them a basis for examining loan plans of subordinate enterprises.

- Unified standards for enterprises entering the international market, distinguishing among enterprises that made enter international markets directly, enterprises that may ask state-designated organs to enter international markets, and enterprises that may not enter international markets. Since there are currently too many of the first category of enterprises, strict control must be exercised. Enterprises already deemed qualified to enter international markets should be reconsidered.
- Centralized industrial priorities, with the formulation of detailed and scientific industrial policies.
- Establishment of a national foreign capital information center.
- Better macroeconomic control over foreign capital requires other concomitant reforms including reform of foreign exchange and foreign trade. Prices, interest rates, and exchange rates should reflect opportunity costs, the need for government quantity control thereby lessening relatively. Increase in the regulatory function of prices, interest rates, and exchange rates, and a lessening of direct government intervention should be the direction toward which we strive.
- Improved benefits from the use of foreign capital requires simultaneously greater limitation of microeconomic responsibility. Units using foreign capital for projects directly able to produce foreign exchange earnings must ensure that returns from the investment of capital will be higher than the loan interest rate so as to be able to repay capital and interest on time. For projects that are unable to produce foreign exchange earnings, a certain exchange rate should be used to figure earnings on the investment. For non-profitable projects, a cost-benefit analysis must be conscientiously made, and clear-cut responsibility goals set.

In summary, in selecting the opportune time for reform, precedence is to be given to domestic matters first and external matters later, a change made from reform of foreign capital in tandem with and becoming faster than domestic reform to in tandem with and lagging behind domestic reform. In basic orientation, a distinction must be made between the domestic and the foreign, foreign capital controlled and domestic capital enlivened, both the macroeconomic and the microeconomic restrained. This must be coordinated with other aspects. At different stages of economic development, the country's economic strength, the level of enterprises' operations and their ability to compete in international markets must be taken into account, different ways and means being correspondingly adopted.

Footnote

1. Internationally, usually debt repayment rate, liability rate, and foreign capital dependence rate are three indicators used to determine ability to bear indebtedness.

Larger Development Role Projected for Qinghai Bank

90OH0088A Xining QINGHAI JINGJI BAO
7, 11 Sep 89

[Article by Zhao Zhengxiang (6392 2398 4382): "A Development Strategy for Qinghai's Externally Oriented Economy and Externally Oriented Finance and Banking"]

[7 Sep 89 p 2]

[Text] Modern economic development requires a completely scientific development model for guidance. As the main externally oriented finance and banking entity, the Bank of China's organizational model, professional development emphasis, and strategic goals for the next 10 years should have a correct guiding thought and development strategy. Unless the orientation of these matters, which having a bearing on the overall situation are clarified promptly, the bank's role in macroeconomic adjustment and control, and its function as a bank specializing in foreign exchange is bound to be restricted with disadvantageous effects on the policy of opening to the outside world. Correct strategic deployments derive from a correct strategic guiding thought. Qinghai Province's strategic thought for the next 10 years is as follows: Reform and opening to the outside world, wiping out poverty to become wealthy, development of resources, and vigorous building of Qinghai. Qinghai's basic spirit is to hasten the pace of reform, to develop lateral economic relationships, to develop advantages that resources provide, to develop a commodity economy, and to spur complete development of the whole province's economy, science and technology, and society. In view of the economic development policy of the central government and Qinghai Province, the Qinghai Bank of China's professional development strategy emphasizes for the present century the following: increase in the number of network outlet points to soak up savings, to perfect self-development, to support reform and opening to the outside world, and to promote exports to earn foreign exchange.

The study of strategic problems consists primarily of planning the overall situation, planning an orientation, planning important matters, and planning decisions before taking action. However, people cannot do as they please, pondering deeply and planning carefully in a way that is divorced from reality to create history. Instead, they must face squarely the realities in which they find themselves. So what are Qinghai's realities? Too poor and too backward is a reality, which is to say that poverty and backwardness is our greatest reality. In recent years, and particularly during the Seventh 5-Year Plan, we discovered that the gap has widened sharply between China's western regions and both the country as a whole and coastal areas. This shows up both in the disparity in absolute economic total amounts, and also in a disparity in mental outlooks. The dramatic widening of the gap in mental outlook, in particular, cannot help but make us

think deeply. If one regards the original gap as a historical inevitability to a certain extent, then one cannot look on idly at the continued widening of the gap. An overview of the history of world economic development shows that any country and region that wants to survive and develop must make the most of strengths and circumvent weaknesses, principally exploiting its own advantages, while also studying and assimilating the advanced culture, science and technology, and managerial experiences of others. Qinghai is even less an exception. Thus, it is necessary to open to the outside world, develop international economic and trade relations, make friends all over the world, and gather information internationally. At the same time, it is necessary to readjust constantly Qinghai's own industry and product mix to meet the needs of international markets. In short, it must develop an externally oriented economy to become a part of the great international economic cycle.

I. Examination of Advantages and Disadvantages for Qinghai's Development of an Externally Oriented Economy

In terms of development strategy, Qinghai's development of an externally oriented economy, expansion of external trade, and participation in the great international economic cycle is not only a necessity, but also possible and inevitable. The externally oriented economy of which we speak means that its economic structure is guided by international markets, and its foreign exchange earnings from the export trade reaching a certain level, Qinghai becoming an export product economic system to a certain extent. This has three different connotations. First, it connotes the development of foreign trade, exports spurring economic development. Second, it connotes taking part in an international division of labor, the structure of Qinghai's industrial production and products being suited to the needs of international markets. Third, it connotes the need to take international standards as a reference point for administration and management.

1. In 1990, the Lanzhou-Xinjiang Railroad will extend westward to become a continental bridge connecting Europe and Asia. By going eastward to Lianyungang, one can reach the Pacific; westward through the Ili port of entry, commodities can move into the eastern part of the USSR. The shuttling back and forth will provide members engaged in economic cooperation along the Longhai and Lanzhou-Xinjiang lines a fine turning point in improved transportation for entry into both domestic and foreign markets. The Qinghai-Xinjiang Railroad (from Golmud in Qinghai to Korla in Xinjiang), and the Xining-Yangpingguan Railroad are projects that complement the foregoing distinctive pattern. Firm grip should be taken on early stage preparations in order to build these lines and open them to traffic with all possible speed. Once the large Caojiabao civil aviation airfield has been built, work should begin on opening new domestic and international air routes, and on the building of small auxiliary airfields in six autonomous zones to provide air transportation within the province.

In time, tactical needs for "opening in both directions, entry by both air and land, and a takeoff in two forms of transportation" can be met. This will be the first step in solving the problems of no readily available transportation, information not circulating freely, and serious "bottlenecks" that have long existed in the circulation of materials, thereby creating favorable conditions for Qinghai to move beyond the seas to take part in the international market cycle system.

2. The Longhai Lanzhou-Xinjiang economic zone, extending eastward to Lianyungang and westward to Alashankou in Xinjiang traverses 51 cities, prefectures and autonomous zhous having a vast market capacity, which offers very great prospects for the development of domestic and foreign economic partnerships. Xining City and the Xining Municipal People's Bank in Qinghai Province are formal members of this economic cooperation zone and the economic zone's financial network. They are working in full cooperation to establish a development strategy for linking up with the outside world. Qinghai Province can make full use of the distinctive situation of "two outlets [to the Pacific Ocean and to the USSR] on a single line," and benefit from Xining's premier position in the province to attain the goal of radiating outward from a single point to form lateral foreign and domestic economic ties. By forming friendships, learning from others strong points to offset our own deficiencies, and working together for mutual benefit, business conglomerates can be built and foreign trade partnerships formed to improve foreign exchange earnings from exports for all members of this cooperative zone.

3. Highlighting the emphasis of development and rationalizing ideas about development. Qinghai is a vast province abounding in natural wealth. It is a nationally acknowledged leading economic zone for the development of resources. Eighty-three different minerals have been discovered and exploited, reserves of 37 of them ranking among the ten highest in the country, and eight of them ranking first. Reserves of lacustrine salt, uranium chloride, magnesiosum chloride, lithium, boron, lead and zinc, and asbestos are greatest. For example, there are 62.4 million tons of proven sodium chloride deposits. Most of these abundant mineral deposits are currently in extremely short supply in domestic and international markets. Qinghai also has abundant water energy, petroleum resources that offer vast prospects, and is a source of supply of livestock products that enjoy a fine reputation both in China and abroad. Qinghai is located at the headwaters of the Chang Jiang and the Huang He. Theoretical water power reserves in the province amount to 21.65 million kilowatts. In the eastern part of the province, in particular, six large cascade hydropower stations having an installed capacity of 10 million kilowatts, or approximately one-tenth the total for the whole country, and a total electricity generating capacity of 30 million kwh per year can be built at Longyang Gorge and Lijia Gorge. This could spark the comprehensive development of high energy

consumption industries and raw and processed materials industries in Qinghai and neighboring provinces and regions. It is entirely possible that a benign cycle can be created in which energy spurs development, development produces wealth, and the investment climate is improved, attracting businessmen in droves. In short, Qinghai has entered the preliminary stage of large scale development. If only the opportunity is seized, large development strides can certainly be taken. The 21st century, which lays just ahead, is an era for the rise of the western part of the country.

4. Emancipation of thinking, updating ideas, and a greater sense of competitiveness are major requirements in the opening to the outside world, development of lateral economic ties, and promoting development of a commodity economy. "Decisions on Various Problems in Deepening Reform and Accelerating Economic Development" from the Qinghai Provincial CPC Committee made accelerated exploitation of lacustrine salt deposits a strategic economic focus for the whole province, and founded the Qinghai Provincial Leadership Group for Coordinated Development of Resources. This plays an important role in turning around the depressed state of the province's economic development, and in further carrying out the policy of opening to the outside world, and invigorating the domestic economy. Qinghai Province has now taken the first steps toward opening to the outside world, and developing an externally oriented economy. Take Xining City, for example, where a total of 42 projects have been imported since 1984 at a cost in foreign exchange of \$257,760 million. A total of 188.03 million renminbi in loans was needed to buy foreign exchange and for matching renminbi funds to support the technical transformation of the light and textile industries, machinery industries, and food industries. the importation of raw materials, the processing of imported raw materials, and joint capital ventures. Some of the projects filled in blanks in Qinghai industry, and their products have already entered international markets. In addition, the province's foreign trade import companies have also ended their closed and undiversified operating methods, scrambling to expand outside the province and abroad, operating companies, setting up more windows for observing the world for a marked improvement in their understanding of international markets. This is an extraordinarily important beginning.

[11 Sep 89 p 2]

[Text] Faced with implementation of a strategy in coastal China, and the poverty and backwardness of Qinghai, the following problems must be pondered calmly and objectively.

1. The advantages that Qinghai enjoys in resources are, to a very large extent, potential ones. Converting potential advantages into real economic advantages, translating them into advantages in terms of returns is no easy matter. The conversion process requires large amounts of capital, technology, and a fine investment climate. Everyone is aware that during the entire Seventh 5-Year

Plan, and up until the year 2000, the strategic plan for development of the country's economy is differential development, meaning gradual development from east to west, instituting tilt policies, with the focus being on the eastern part of the country. Therefore, complete reliance on state investment to develop Qinghai's resources and develop its economy is unrealistic. Qinghai Province's income is less than its expenditures, the province depends on subsidies from the central government for between 60 and 70 percent of its expenditures in order to get by. Nor can it obligate more funds to the development of resources. At a time of financial belt tightening, Qinghai's lean days will not ease within a short period of time.

2. The theory that maintains that while coastal areas have "both ends abroad" [beginning and ending the production process on the international market by importing raw materials and exporting finished products], thereby "freeing up" domestic markets and raw and processed materials for the west also needs calm consideration. Over the short-term, the "two ends abroad" theory is an idealization; it is a manifestation of a theory taking the lead, development lagging behind. Importing things is easy; exporting them is difficult. Large-scale imports can create an unfavorable balance of trade, so attention has to be given to what the country's foreign exchange can bear. In addition, foreign countries react very fast, raising prices on raw and processed materials that you import on a large scale, and lowering prices on the primary grade products that you export on a large scale. Having "both ends abroad" means both ends are limited, causing a bad effect on the domestic economy. After all is said and done, Qinghai will be unable to shape a macroclimate of large-scale exports and imports by the end of the 1990's. Of greater importance is the conflict between earning foreign exchange and making profits. The interests of enterprises and of the local government are not well coordinated; and some policy questions also await the deepening of reform for solution. It has to be realized with regard to giving up domestic raw materials and markets, that the "two ends" policy will require a very long process. In this process, domestic and international market competition can only intensify as testified by various "panic buying wars." The policy for coastal economic development is very loose; it is not a unified model. It has many different levels, and it is highly self-sustaining. When certain products and enterprises leave, new enterprises and new strata fill in. For the western part of the country, there are also the questions of having the strength and methods needed to take over, whether products can be marketed, and market capacity. In terms of absolute quantities, the coastal provinces will not give us more markets and raw materials. Places like Hangzhou and Guangzhou propose a strategic policy for development of an externally-oriented economy of "expansion in dual directions, and extending both ends." This tells the west that it should not sit and wait for markets and raw materials to be turned over to it. The central government's new strategic thinking is to "link closely together

the development of an internally oriented economy with the development of an externally oriented economy." Such a readjustment is relatively realistic.

3. In our own work and system, very many things continue to exist that are not in keeping with an opening to the outside world. This is to say that certain ideas and ways of doing things, consciously or unconsciously, are stalled at the product economy stage; it is still not possible to bear down on the development of a commodity economy, or make use of the market mechanism to realize new breakthroughs. Ideas lag behind the times, and policies lag behind events. The backwardness of ideas is manifested principally in failure to emancipate thinking. Policy backwardness means that in management, we remain in a straight line kind of management of passing problems upward and sending directives downward. Policies are applied in an unimaginative way, without flexible and creative actions related to the local situation being taken. Such stodgy, old-style work methods take effect slowly, causing delayed action and missed opportunities. We must carefully study strategic measures, judge the hour and size up the situation, and apply remedies.

Making the most of advantages in resources, striving for preferential policies, creating a loose environment, and introducing capital and technology, I believe to be coordinated remedies that may be applied to realize the strategic objectives. Qinghai's advantages in resources are outstanding. Making use of this relative advantage requires the corresponding remedy of doing more to take advantage of resources, making the exploitation of resources a strategic move. The central government is now proposing the transfer to the west of high energy consuming industries, and raw and processed materials industries. Qinghai Province is richly endowed with water energy, and holds a dominant position in mineral deposits. Firm grip should be taken on this favorable opportunity to readjust policies, to work actively, and to take the initiative in moving into position. By winning preferential economic policies, we can think about hitching a ride in the coastal provinces' car. The central government has given the coastal special economic zones numerous preferential policies; so we should win some too. Furthermore, in another sense, the west is an ethnic minority, poverty stricken, border area special zone. The central government leaders have said that minority nationality areas should be given more preferential policies. The expansion of the gap between east and west today confronts the country with two problems as follows: 1) It has intensified the shortage of raw and processed materials, and of some primary products. Approximately 60 percent of industries in the western region are raw and processed materials industries and primary product processing industries. Their slow development has already increased the shortage of supply of raw and finished materials throughout the country. On 8 May, reported this serious situation in a page 1 headline. 2) Further widening of the gap, with the eastward flow of manpower, financial, and material resources directly

threatens implementation of the magnificent plan for shifting the strategic focus in building the national economy during the 21st century to the west. Therefore, if everyone tries to obtain preferential policies, they may possibly get them. In the creation of a loose economic environment, and importing capital, technology, and managerial experience, the main problem to be solved is insular and narrow-minded old ideas about "worrying about getting the worst of things in partnerships," and "not letting wealth get away." In the source of improving the economic environment and restructuring the economic order, in particular, when the state is cutting back on investment, we cannot just sit and wait for the state to invest, guarding a "gold mountain" while needing something to eat. Instead, we must adopt a positive attitude, raise funds wherever possible, encourage local governments to operate small development projects, and encourage the importation of capital and technology to operate joint development projects.

II. Externally Oriented Financial Institution Form and Business Development

In its role as the bank specializing in foreign exchange and foreign trade among the main externally oriented financial entities in Qinghai Province, the Xining branch of the Bank of China must proceed from the realities of Qinghai Province in its institutional form and its vocational development to meet needs in local objective economic development. An externally oriented economy, and externally oriented finance and banking are essentially interdependent, mutually conditional, and jointly coexisting, jointly flourishing economic relationships. Thus, support for the local development of a foreign exchange-earning economy is the main task of this bank. Both the location of financial institutions and business development should be thought of and planned in terms of the banks' major task. The writer has the following thoughts about the banks structure and business development:

1. Promotion of a two-tier management and four-tier operating system in which the main bank, and constituent branch banks, "including special economic zone branch banks, and plan-listed urban branch banks" would manage primarily, which is to say they would both manage and conduct operations. Their main energies would go to planning, providing guidance, supervising, examining, checking, and overall coordination, day-to-day business being handled by business departments. In general, only operating business departments and offices would be set up in economic zone network outlet points below the constituent branch bank level, with no matching administratively differentiated level-by-level establishment of branch banks and sub-branch banks in order to reduce administrative interference, and to break down the rigidity of regional insularity and barriers existing between higher and lower levels and between different departments or regions to make the Bank of China a true national foreign exchange and foreign trade bank. Banking institutions that cut across regional lines should be "designed" with local realities in mind, the best form being decided after weighing all the pros and

cons. In deciding subordinate relationships, consideration should be given to what will improve management, facilitate operations, help exports, and permit fullest use of the Bank of China's overall strengths, a decision being reached through discussion.

2. Rational development of banking institution network outlet points. During the past 2 years, the number of Bank of China network outlet points in the country has increased very rapidly, numbering 3,744 as of the end of 1988, 2,436 of them self-operated for a 121.8 percent fulfillment of Seventh 5-Year Plan plans. This has played an important role in increasing the availability of renminbi funds and in strengthening the Bank of China's financial strength. The Qinghai Bank of China currently has seven network outlet points. Among the province's single prefectures, three cities, six autonomous zhous, 31 counties, and six autonomous counties, only Xining City and Golmud City have network outlet points. In an overwhelming majority of other areas, there is no Bank of China as yet. It is envisioned that by the year 2000, the number of network outlet points in the province will total 22 business departments and offices, and 20 small local branches and savings depositories for an expansion in unified coverage, an increase in strength, and a widening of the business territory. The building of banking institutions is a strategic goal of the Xining branch bank. Without them, there can be no savings and no development, to say nothing of making use of the role of a bank specializing in foreign exchange and foreign trade.

3. Rapid improvement of the functions of banking institution network outlet points, making grassroots banks more vigorous. In increasing and extending the number of Bank of China branches, the guiding thought to be upheld is "savings make the bank," setting the amount of credit on the basis of the amount of savings, acting within capabilities, steadily perfecting the self-development mechanism, striving to set up a few more banks in places in which savings are up, or in which savings and credit are in equilibrium. Constituent branch banks should delegate business operating authority and loan examination and approval authority in a step-by-step way to subordinate sub-branch banks and offices, and give them decisionmaking authority over personnel, financial, and material resources, as well as business matters by way of invigorating grassroots banks. Banks able to do so should handle all renminbi and foreign currency savings and loan funds, and international final settlement business. All bank network outlet points should engage in foreign currency exchange, overseas Chinese remittance receipts and payments, and business consulting services in the shaping of a distinctive role for the Bank of China.

4. Problems about designated bank competition and the emphasis in business development. This problem has wide ramifications. It has to do with whether banks should develop in a specialized or all-around direction, and whether they should complete in single ways or in every way? The writer believes that for all banks to have

a division of labor in their basic business, operations, with appropriate overlapping of operations is a correct working principle that is in keeping with the level and nature of the country's economic development at the present time. Helter-skelter development and free competition is neither in keeping with China's national circumstances, nor in keeping with requirements of a planned commodity business mechanism. As an externally-oriented specialized bank, the Bank of China also has to clearly understand its functions even in the current maelstrom of overlapping of specialized banks' operations and professional competition, carrying out through the principle of "support to those who export," taking as their focus support to projects that create foreign exchange from exports, providing support to their technological transformation and their importation of materials from abroad for processing and re-export. In addition, we should realize that the hot spot in competition among all specialized banks today is savings, efforts being concentrated primarily on key cities. This shows up in banks' desire to become all-purpose, and a fairly intense latent desire for unrealistic pursuit of being "large and all-embracing" or "small but all-embracing." This being the case, the emphasis in the Bank of China's business development has to be readjusted somewhat, transforming it more quickly into a multi-functional all-purpose bank. Even if it is continues to be a bank specializing in foreign trade and foreign exchange, its development of domestic renminbi operations must be put in an important position. In particular, increase in Chinese and foreign currency savings deposits must be put in a paramount position. Only in this way can the assets of the Qinghai branch be maintained and enlarged, the province continuing to maintain fairly high international prestige, and being able to support domestic procurement and increase exports, speed up foreign exchange settlements, and be relatively strong, effectively making the most of its overall competitiveness. Qinghai Province's foreign exchange earnings from exports amount to only \$50 million a year, so it is too early for everyone to compete in the handling of foreign exchange business given Qinghai's present situation.

Up until 1986, savings were always larger than loans in Qinghai's finance and banking industry. In 1987, a change began to be made from the savings column to the loan column, the loan column amounting to 640 million yuan as of the end of 1988 for an 86.67 percent self-capitalization rate. In comparison with the country as a whole, the gap was not too large. By adjusting strategies properly, needs for loans for tasks resulting from policies could be maintained, and ordinary commercial loans could also be substantially provided. However, the distribution of funds among individual banks was very uneven, the Bank of China having a 28 percent self-sufficiency rate in renminbi. Its savings of various kinds amounted to 1.3 percent of the total for the entire province, but it carried 7 percent of the loans for the entire province, 95 percent of them loans required by policies for the procurement of commodities for export. Its duties and its strengths were very unevenly matched.

Expansion of sources of renminbi is a strategic task of the Qinghai Bank of China. Doing this requires solution to problems in the following three regards:

1. The bank headquarters should be covered by policies drawn up for minority, border, and poverty stricken areas, being accorded suitable consideration in financial distributions. The total expense rate and profit retention percentage rate that the bank headquarters assigned to the Qinghai Bank of China in 1988 was 4.06 and 4.39 percent respectively. Not only was this overly low within the Bank of China system, but also generally lower than that of all specialized banks in the province. Unless the banks' profit retention percentage rate and its overall expense rate are readjusted, it will be very difficult to mention the development of operations and an increase in network outlet points, much less compete with other banks. Therefore, the main branch of the Bank of China must formulate more preferential policies for special regions in western China such as Qinghai Province.

2. The central bank should act in the spirit of Circular Notice Guofa (88) No 14 to "perfect the savings reserve system." It should institute little by little different proportions that different specialized banks are to turn over to the government. The true situation is that other specialized banks have a protected savings turf, but for various historical and professional division of labor reasons, the Bank of China does not possess this advantage. However, institution of arbitrary uniformity in the proportion of reserve funds to be handed over by all banks would obviously be irrational.

3. Better cadre training. Professional competition is, in reality, competition among talented people, financial talent having a bearing on the success or failure of financial undertakings. The Bank of China should make use of its special advantage in being small in size and having few staff members and workers, devoting efforts to its overall professional capabilities, and group knowledge and ability. Thus, the knowledge and ability, the quality, and the professional skills of the bank's working personnel will be able to meet the special needs of foreign exchange and foreign trade; in terms of their level of professional development and managerial level, and better able to meet the severe challenges domestically and internationally during the 21st century.

MOFERT Official Indicates Open Policy To Continue

90OH0098A Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in Chinese
No 9, 30 Sep 89 pp 2-3, 49

[Interview with Wang Pinqing (3769 0756 3237), vice minister of foreign economic relations and trade, by GUOJI MAOYI WENTI reporter: "Continue the Open Policy and Do a Good Job in Foreign Trade"; date and place of interview not given]

[Excerpts] This year is the 40th anniversary of the founding of the PRC. The 66th Guangzhou Export

Commodities Fair will soon open in this brilliantly sunny fall. As I pondered the past and contemplated the future, I was overwhelmed by a flood of questions, so I went to interview Wang Pingqiang, vice minister of foreign economic relations and trade. [passage omitted]

[GUOJI MAOYI WENTI] As you said, China's foreign trade has been very successful in the last 40 years. In what way has foreign trade been affected by the disturbances and counterrevolution in Beijing and other cities in the first half of this year? What was the foreign trade situation during that period?

[Wang Pingqiang] The disturbances and counterrevolution in Beijing and other cities from mid-April to early June did indeed severely disrupt China's exports. However, with all workers in the foreign trade sector working hard together to overcome difficulties, the situation gradually returned to normal after late June. Foreign trade maintained a good momentum in the first half of the year. According to MOFERT [Ministry of Foreign Economic Relations and Trade] statistics, imports and exports totaled \$44.085 billion from January through July, including \$23.383 billion in exports, basically unchanged from the same period last year, and \$20.702 billion in imports, up 10.7 percent over the corresponding period in 1988. Exports of manufactured industrial goods continued to increase their share of total exports. From January to May, exports of silk, equipment, and machine and electronic products increased substantially (by 23.9, 27.7, and 20 percent, respectively.) Exports of primary products declined as a share of total exports. Significant drops were recorded in the exports of rice, soybean, cotton, cotton yarn, natural silk, and crude oil.

[GUOJI MAOYI WENTI] Economic sanctions have been imposed on China by some countries. How have they affected us? Will China close the open door?

[Wang Pingqiang] After China put down the counterrevolution in Beijing, most countries have shown an understanding attitude and continued to do business and trade with us. However, a minority of developed Western nations ignored the facts and imposed economic sanctions on us, "freezing" loans and economic aid. This has affected the different areas of our foreign economic relations and trade to varying extents. For a time some trading partners could not figure out what the true story was and were full of misgivings. Some foreign businessmen withdrew their staff from China, disrupting export transactions. Still China has acquired considerable economic muscle. Its industrial and agricultural production level has reached a rather high standard. It has established economic and trade relations with more than 180 countries and regions in the world. Instead of blocking China's advance, economic sanctions by some countries will only hurt their own national interests. Therefore, I believe the effects of the sanctions will be limited and short lived. China's foreign trade will continue to develop.

The latest counterrevolution and Western economic sanctions against China will not stop us from continuing to open to the outside world. The 4th Plenum of the 13th CPC Central Committee stressed that while adhering to the four cardinal principles is a basic national policy, reform and the open policy are what will make China strong. We must stick to it unwaveringly just as we did in the past. Never again shall we return to the old isolation policy. Reform and the open policy, which have stimulated economic development and benefited the people tangibly, are solidly supported by the masses. The new standing committee of the CPC Central Committee, elected at the 4th Plenum of the 13th CPC Central Committee, is the core of leadership for carrying out reform and the open policy, so the execution of reform and the open policy is organizationally assured. As a matter of fact, the key measures taken after putting down the counterrevolution have not deviated from the open policy at all. They will be improved and amplified after we review the experience.

[GUOJI MAOYI WENTI] After the disturbances and counterrevolution from April to June, the foreign trade situation facing China must have changed. Will our traditional basic foreign trade policy be modified? How do you see the future of China's foreign trade?

[Wang Pingqiang] After suppressing the counterrevolution, we definitely face a new situation in foreign trade. A small number of nations have imposed economic sanctions against us. But, gratifyingly, the bulk of developing countries, a majority of socialist nations, and many developed countries which have economic and trade ties with us have indicated they understand what we did and are willing to further such ties. We have friends all over the world. This is basically why our foreign trade has been able to grow steadily.

We have a huge domestic market. To a large extent the development of foreign trade is conditional upon the domestic situation. Today the country is politically stable and united. Both industrial and agricultural production is growing steadily. These are the fundamental requirements for developing foreign trade. I am optimistic and fully confident about the future of China's foreign trade.

Export drive remains our top priority in the future so that we can earn more foreign exchange and pave the way for developing all areas of foreign economic relations and trade. Depending on the needs of the international market and our strengths, we shall continue to develop the production of export commodities, expedite the adjustment of our export mix, expand processing with both provided and purchased materials for export, and vigorously open up the international market. At present we should concentrate on tackling two issues. One is quality and contract compliance. We must firmly enforce the principle "take contracts seriously and keep one's promise." We must really honor a contract on time, ensure good quality, protect our good name, and ensure the steady growth of exports. The second issue is

rectifying and restoring order in the foreign trade environment, putting an end to business chaos. This time around the CPC Central Committee and State Council are firmly resolved to drastically cut down on the number of substandard companies, abolishing or merging them as the case may be. There must be no compromise. The contracts previously entered into by companies to be abolished or merged will be strictly honored by other qualified companies and will not be affected. Also practical measures will be taken to strengthen quota and permit management. The special commissioner's office and the export association will be fully utilized to step up management and coordination.

On the basis of a successful export drive, we should work to increase imports to ensure the availability of materials required in agriculture and daily necessities for the people. Proper arrangements should be made for the import of industrial raw materials and technical equipment. Orders should be placed, permits issued, ships despatched, and goods unloaded without delay.

[GUOJI MAOYI WENTI] What do you think is the significance of the latest commodities trade fair?

[Wang Pinqing] As the first trade fair after the suppression of the counterrevolution, this trade fair has tremendous significance. It is a window to show we will continue to be open. It is an opportunity for us to renew contacts with old customers and cultivate new ones and showcase once again our lineup of products. We have fully prepared for this fair, further diversifying its substance in a determined effort to make it a success. First, all organizations that participate in it must do their utmost to make as many export deals as possible. Within this half month, they must grab every opportunity to establish contacts with customers in every nation and region, signing up the most orders possible. Second, in accordance with the regulations of the trade fair, they must put national interests first and accept the arrangements of the coordinating group. Finally, foreign trade companies and foreign trade enterprises at the fair must do business in a civilized way, signing a contract only when they are capable of executing it. They should scrupulously preserve business credit-worthiness. Order at the fair must be further improved so that it will be an orderly and civilized forum for international trade.

ECONOMIC ZONES

Update on Shanghai Economic Development Zones

90HO0006A Shanghai SHANGHAI JINGJI
[SHANGHAI'S ECONOMY] in Chinese
No 4, 30 Jul 89 pp 6-8

[Article by Ye Bochu (0673 0130 0443), vice chairman of Shanghai Capital Construction Commission, and member, Shanghai Commission on Foreign Investment

Work: "Shanghai's Economic and Technological Development Zones—Their Construction Achievements, Characteristics, and Developmental Countermeasures"]

[Text] Economic and technological development zones are an important window for enterprises in carrying out China's policy of opening to the outside, actively attracting foreign investment and rapidly developing the three kinds of enterprises that are either partially or wholly foreign-owned ("three kinds of enterprises"). Of China's 14 economic and technological development zones, three are located in Shanghai. These three economic and technological development zones have been carrying out development and construction since they were started in 1983. In August 1986, the State Council approved Minhang and Hongqiao as economic and technological development zones, with Caohejing gaining approval in June, 1988. Today, these three economic and technological development zones (hereinafter referred to as development zones) have all basically completed building their foundations, and are attracting foreign investment as well as managing many of the "three kinds of enterprises." As of March 1989, Minhang had 47 of the "three kinds of enterprises," which had brought in \$85 million in foreign investment (project total investment was \$267 million), and occupied 70 percent of the development zone's total area. Of the 47 enterprises, 83.3 percent were advanced technology and product exporting enterprises, and 25 had sales of 303 million yuan, earning \$19.79 million in foreign exchange. Hongqiao had eight of the "three kinds of enterprises," which brought in \$306 million in foreign investment (with a total project investment of \$467 million); all the projects constructed were high-level, high-grade tourist accommodations and apartments, as well as trade centers, and others. These buildings cover 446,700 square meters of area. The Caohejing Development Zone has seven of the "three kinds of enterprises," which brought in \$65 million in foreign investment (project total investment was \$159 million); projects built there are high-technology enterprises in such fields as automated instrumentation, circuit boards and semi-conductors. In all, there is a total of 62 of the "three kinds of enterprises" in the three development zones, which have attracted \$458 million. Development has been rapid, and relatively successful.

Why have the three zones developed so rapidly? Shanghai has favorable conditions for attracting foreign investment, policies which give preference to foreign commercial investment and measures to encourage it. In addition, there are the distinctive characteristics of the work of development, building and attracting foreign investment. These characteristics are:

1. The Sites of Development Zones Are Logically Selected, With Good Geographic Locations

The three development zones were all set up on the periphery of older parts of the city, and are closely related to those older sections. The Hongqiao Development Zone is located 6.5 km from the city center, in the

western part of the Changning district; the Caohejing Development Zone is 11 km from the city center, in the southeast section of the Xuhui district; and although the Minhang Development Zone is 30 km from the city center, it is located on the periphery of the now-completed Minhang satellite town. This kind of geographic location makes it possible for the development zones to rely on the older city, and fully utilize the city's original basic facilities, thereby economizing on development funds and cutting down on development time. For example, the polluted water discharged by the Hongqiao zone is treated at the Tianshan Water Treatment Plant and rain water discharge at the Furong River Pumping Station; for roads they use the rebuilt and now open West Yanan Road; for electrical supply and communications, the zone makes use of a part of the substation and telephone branch office which was already there. This way, every square km of the seven routes developed is more economical, and the development time is much less. At the same time, due to the proximity of the city center, coordinated production and contacts between enterprises, as well as convenient communications and transportation, production and management is benefitted in the "three kinds of enterprises."

2. The Principle of Developing These Zones With What They Have, a Small-Scale Development Area Plan, and Implementing by Stages

None of the three development zones is planned to cover a large area. Hongqiao covers an area of 0.65 square km and Minhang is 2.13 square km in area. Caohejing covers 5 square km, but 1.7 square km of this is taken up by a now-completed instrument industrial zone, 1.6 square km by a long-range planning zone, so the actual development zone is only 1.7 square km in area, still rather small. On this small an area, we still adhere to the distribution of work method, carrying out a plan of one part development, one part putting into production and one part yielding results. The Hongqiao Development zone initially is developing only 0.57 square km, and when this parcel of land has the basic conditions for construction, it will attract foreign commercial investment, build the "three kinds" of enterprises and maximize investment benefits. When these projects are completed, then they will expand development of other parts of the land. Hongqiao and Minhang have also arranged their projects according to distribution of work. By doing it this way, investment for development is kept small, development time is short, foreign commercial development is attracted quickly, benefits are seen early, many things are done at one stroke, and on the principles of conforming to the actual demand, and acting according to their capabilities.

3. All Three Development Zones Stress Attracting Foreign Investment, Their Functions Are Clear, and Each Has a Role To Play

The three Shanghai development zones are acting according to different conditions, separately determining their respective emphases on bringing in foreign

investment and developing enterprises. The Minhang zone has put its focus on industries which are export windows, with a stress on absorbing advanced technology; Hongqiao is emphasizing the development of tourist accommodations, apartment houses and foreign trade, with a particular stress on developing tertiary industry; and Caohejing is focused on development, production and management of newly emerging technologies with emphasis on bringing in foreign investment and running the "three kinds of enterprises." Because each of the three development zones has its own focus in attracting foreign investment, working with clear functions, and each having its own role to play, they not only avoid interfering and competing with one another, they also support and draw upon each other, furthering the development zones' own development.

4. Starting Out Realistically From Shanghai's Conditions, Establish a Highly Effective Development Zones With Leadership System, Separating Politics From Enterprises, With Skilled People and Simple Policies

Development, construction, and operation of the three development zones are the responsibility of the Minhang-Hongqiao Joint Development Corporation and the Caohejing Newly Emerging Technology Development Zone Development Corporation, both of which are jointly funded by Chinese and foreign sources. Internal governmental operations for the zones, such as security, fire fighting, communications and transportation, environmental protection, environmental safety and sanitation, etc., are the responsibility of the zones' people's governments. The management organization for the zones is the Municipal Foreign Investment Commission. Its functions are: to draw up and revise developmental plans for the zones; issue regulations concerning the internal administration and management of the zones; within the limitations of their regulatory powers, examine and approve the zones' investment goals; examine, supervise and coordinate the zones' internal development and construction, and the work of the units reporting to the zones; and finally, coordinate the resolution of problems which arise in the operations and management of the "three kinds of enterprises" in the zones. This system of leadership was set up on the basis of Shanghai's realities. Its superior features are: development, construction, and operation of the zones are carried out by a centralized development corporation, with small organizations, reduced staff, high work efficiency, and maximum positive utilization of the developmental corporation. At the same time, placement of the development zones in the vicinity of the older municipal area, means that governance of the zones is under the Shanghai municipal government, as well as allowing use of governmental organizations originally in the zones; this reduces the number of administrative levels, economizes on administrative expenses, and helps to strengthen management. Management of the three developmental zones is the responsibility of one

governmental organization of the municipal government, separating government and enterprise; this also strengthens administrative leadership and makes for streamlined administration.

5. Positively Improve the Development Zones' Intangible Investment Climate; Bring Operations in Line With International Practice

In development and construction of the development zones, not only is there an emphasis on building good basic facilities, creating an excellent, tangible investment climate and positively improve the intangible climate for investment, providing excellent conditions for the operations and management of the "three kinds of enterprises." If such services as banking, customs, taxation, product inspection, postal service, speedy delivery, and so on, are not provided in the management building of the Minhang Development Zone, it will affect the operations of enterprises within the zone. Enterprises and units regularly supply running water, gas, electricity, and communications to the companies which manage the buildings; they open and close up, accept consumer applications, maintain project construction schedules, and generally do a good job of supply and service. Also installed within the zones are tax-saving warehouses and established transport enterprises to serve the enterprises in the zones. This way, the "three kinds of enterprises" need not go outside of the development zones, but can find the answers to the problems related above within the management buildings. This way of doing things basically conforms to international practice, with the result of greatly improving the tangible environment for investment, and has received the favorable comments of international investors.

The development, construction and operation of Shanghai's three development zones have already been relatively successful, with its mission all along to work ceaselessly and unremittingly to develop and move forward. Under the policy of persisting in bringing under control consolidation and deepening reform, and the principle of sticking to the coastal regions development policy, there should be support for the operations of the "three kinds of enterprises," maximizing its use as an example. Do well the leading work of foreign investment, attracting still more foreign commercial investment, so that the development zones brim with vitality and energy, truly making maximum use of foreign investment attracted, and developing the role of the "three kinds of enterprises" as an important window. Therefore, there must be a conscientious effort to do well the following tasks:

First, Strive To Help Those Enterprises Which Are Either Wholly or Partially Foreign-Owned (the "Three Kinds of Enterprises")

There are quite a few enterprises in the three development zones which are of the "three kinds of enterprises," with others being built, and still others already in operation. In view of this situation, "emphasizing contracts,

protecting reputations," in the enterprises making preparations to be the "three kinds of enterprises," will aid them to organize construction, raise quality, accelerate advancement, facilitate and speed up completion and going into operation, and maximize the benefits from investment. For the "three kinds of enterprises" which are already in operation, aid them in resolving problems that may arise in production and management, and coordinate their work, which will make their production and management smoother. This is the primary task facing the development zones. The power of example is great, and we must do our utmost to help those enterprises that are now of the "three kinds of enterprises," giving foreign investors some good prospects of gain; only in this way will still more foreign investors recognize that Shanghai has a good climate for investment, and come here one after another to invest. It should be noted that the "three kinds of enterprises" still have some difficulties with supply of raw materials, cooperation in production and sales of commodities, requiring our stepping in to coordinate resolution. By no means should this be regarded as relevant only to foreign firms, having nothing to do with us, for otherwise it could be very harmful to the development of the zones.

Second, Do Well the Leading Work of Foreign Investment, Continuing To Develop the "Three Kinds of Enterprises"

Responding to the need to control, rectify, and regulate industrial organizations, the development zones must be energetic but cautious, choosing only the best, to do a good job of the leading work of foreign investment. They must emphasize the development of advanced technology, especially projects which fill gaps in our own technology, "both ends are abroad," and projects where commodity export will earn foreign exchange. Also, construction of buildings which are in seriously short supply. As well as without exception welcoming foreign enterprises of all sizes to come in and invest, they will also lay particular emphasis on attracting investment from foreign multinational corporations and well-known major enterprises, stressing the attraction of advanced, new technology and modernized management. In view of domestic funds being in such short supply, there must be even more vigorous development of wholly foreign-owned enterprises. The essential conditions must be created in every aspect, to make it easy to operate these enterprises which are wholly foreign-owned, thereby attracting even more investment by foreign firms in this way. In short, do well the leading work of attracting foreign investment, continuing to energetically attract foreign investment, and developing still more of the "three kinds of enterprises." There are bright prospects for accomplishing this.

Third, Move Forward in Developing the Intangible and Tangible Investment Environment

Although construction of basic facilities in the three development zones has been completed, there is still the need for further building in such areas as electrical

supply, gas and communications; afforestation, road lighting and transportation facilities still have to be built. They will therefore, according to varying conditions, formulate plans, arrange investment, pay attention to building, in order to perfect the environment for investment. In creating an excellent environment for investment, the Minhang Development Zone strengthened its improvements, to constantly improve their service to enterprises of the "three kinds of enterprises" type. After Hongqiao and Caohejing development zones have the working conditions, they will learn from Minhang, rapidly implementing the method of on-site services within the building in the zones. Each relevant responsible department and enterprise will continue to support the development zones, bringing the best of their personnel to serve, strengthening leadership, and striving to operate in accordance with international practice.

Fourth, in Accordance With the Special Characteristics of the Three Development Zones, Prepare Soon for the Next Step in Development

The three development zones have different developmental situations, and the next development trend for each differs as well. These different characteristics must be considered, and studied at the earliest, in preparation for the next step in developmental work. The Minhang Developmental Zone should concentrate on learning to use completely the existing basic facilities, and appropriately enlarge its scope, to make it easier that after projects within their 2.13 square km area are completed, they will continue to attract foreign investment to build the "three kinds of enterprises," and not come to a halt. The Caohejing Development Zone should concentrate on learning that after the basic facilities are finished within their 0.57 square km area, how to conform to the entire plan of the development zone, from the smallest investment and the greatest benefits, setting out to study the developmental area's second phase. The Hongqiao Developmental Zone due to being severely limited to building high-level tourist accommodations, will chiefly learn to develop foreign trade enterprises, moving forward in practicing the method of land use rights' compensation transfer.

TRANSPORTATION

Guangmeishan Railroad Construction To Begin

40060009A Guangzhou NANFANG RIBAO in Chinese
27 Oct 89 p 1

[Text] Upon approval from the State Council, on 4 October the State Planning Commission officially agreed to the construction of the Guangmeishan railroad. The news was revealed yesterday by Yao Xiuwei [1202 0208 5588], general manager of the Guangmeishan Railroad Company.

The Guangmeishan railroad will begin at Changping East Station, between Guangzhou and Shenzhen. It will continue through Huizhou, Boluo, Heyuan, Longchuan,

Wuhua, Xingning, Fengshun, Jieyang, and Chaozhou to Shantou, a distance of 474 kilometers. Guangdong will be responsible for raising funds for the project, which will cost approximately 1.5 billion yuan. Half of the funds are expected to come from foreign capital. Remaining funds will be raised by using the province's financial resources, raising funds within the province, issuing bonds to overseas Chinese, state subsidies, and other methods. Formal construction will begin next year and finish in 5 years. Preliminary plans for the entire line have been completed, and simple construction on the section from Changping to Huizhou has begun.

Kaifeng Highway Bridge Completed

40060009B Zhengzhou HENAN RIBAO in Chinese
30 Sep 89 p 3

[Summary] The Kaifeng Huanghe highway bridge is completed. Construction began in February 1988 and was completed in "only 1 year and 8 months." The bridge has a width of 18.5 meters and a length of 4,475.09 meters.

PRC MEDIA ON FOREIGN ECONOMIES

Assessment of Multipolarization in World Economy

40050691A Beijing GUOJI WENTI YANJIU
[INTERNATIONAL STUDIES] in Chinese
No 3, 13 Jul 89 pp 3-8

[Article by Huang Suyan (7806 4790 1658): "The Trend and Impact of Multipolarization of the World Economy"]

[Text] The gradual change in the United States from a global open policy to a mutual-benefit policy is an important factor in accelerating economic multipolarization. Economic grouping is a product of the interaction of increasingly acute global competition and intensified economic internationalization. Economic multipolarization may help unite the United States with Japan to strengthen simultaneously international competition and cooperation.

Many changes are brewing in the current world situation. The continuous multipolarization of the world economy and its possible effects on international relations are among the important ones. Conducting necessary analysis and discussion of the tendency toward multipolarization of the world economy may be helpful for correctly observing and judging the development of the world situation in the 1990's.

I. New Development in the 1980's

As far as the whole world is concerned, the multipolarization of the world economy is the negation of the polarized postwar setup of the world. As far as the Western hemisphere is concerned, it is the negation of

U.S. hegemony. The multipolarization of the world economy is manifested mainly by a change from the unified Western hemisphere under the leadership of the United States to the tripartite balance of the United States, Europe, and Japan. The rise of Japan in particular is a change that has attracted much attention. The process of this change is not a new phenomenon. It began as early as the late 1960's and the early 1970's. But many major new developments occurred in the 1980's.

1. The regionalization and grouping of the world economy is deepening and spreading. In the 1980's, the European economic integration movement was revived after 7 or 8 years of silence. The EEC is no longer satisfied with the low level of economic integration and is determined to explore a higher level of economic integration. That is to end the current situation of actually divided markets among member nations and to march toward a single market allowing unrestricted movement of commodities, services, capital, and labor across the borders. In recent years, Japan has been vigorously planning to organize an "East Asian economic circle" including the five ASEAN countries and the "four little dragons" of Asia. It has also continued to push economic cooperation in the Asian-Pacific region, vigorously trying to establish an economic group centered in Japan to contend with the United States and the EEC. In the mid-1980's, the United States began to switch gradually from traditional multilateral negotiation and a global open policy to the bilateral mutual-benefit policy. For instance, the United States has unilaterally established the Caribbean preferential trade zone. It has signed or is going to sign free trade agreements with Israel, Canada, and Mexico. This policy change by the United States has more important and far-reaching significance to deepening and expanding the tendency of economic grouping than West Europe's plan to establish a single inner market or that of Japan to organize the East Asian economic circle.

2. The function of the multilateral global economic system has been further weakened. In the early postwar period, in order to form a unified world market under its control, the United States took the lead and established a global multilateral economic system based on free trade and free currency convertibility, including such organizations as GATT, the International Monetary Fund, and the World Bank. More and more regulations of this global multilateral economic system are now being destroyed or replaced by the regulations of regional multilateral or bilateral economic systems. International trade principles advocated and upheld by the United States, such as multilateral negotiations, free and open trade, and nondiscrimination, are losing their significance. Currently, only 7 percent of global trade and capital turnover really conform to the regulations of GATT. Nearly 75 percent of world trade violates the principles advocated and upheld by the United States. The international money market, which is dominated by the U.S. dollar, has become increasingly turbulent and chaotic. Only a few kinds of currency in the world are

still linked to the U.S. dollar to maintain a relatively stable exchange rate. The unified global economic system is another step closer to disintegration.

3. The decisionmaking process in which the United States had the final say on the major economic issues of the West is now being replaced by the decisionmaking process of multinational negotiations. In 1975, a system was established for the leaders of seven nations—the United States, Japan, the Federal Republic of Germany, France, England, Italy, and Canada—to hold talks on macroeconomic policy issues of the West on a regular basis. In 1985, a system was established for the finance ministers of the United States, Japan, the Federal Republic of Germany, France, and England (the so-called "five-nation group") to hold talks on an irregular basis on currency, trade, and economic policy issues and to make related decisions. On many occasions, before discussing the economic issues of the West, the United States first had to hold closed talks with Japan to ensure that it had Japan's support and cooperation. This shows that the center of power in the world's economic sphere is being decentralized and multipolarized.

We need to point out here that the multipolarization of the world economy is closely related, but not equivalent, to economic grouping. West Europe and Japan can each become a pole of their own because they have economic, scientific, and technological strength that is strong enough to contend with the United States, because they have great attraction to their neighboring nations, and because they can form an independent economic power center. It is not because they have organized or sought to organize economic groups. Many Third World countries cannot form this kind of economic power center because they do not have such power. Although they have formed various economic organizations, they still cannot become a pole of the world economy.

The multipolarization of the world economy indicates that U.S. hegemony in the economic sphere is declining. During the postwar period, the reason the United States could establish and maintain economic hegemony in the Western hemisphere and why Western countries were willing to recognize and accept U.S. economic hegemony is because the United States, relying on the absolute predominance of its economic, scientific and technological, and military power, could establish and maintain "economic and military safety nets" for Western countries. The position of hegemony in the West gained by the United States was, in fact, a kind of exchange or return for providing the two "safety nets."

The main substance of the so-called "economic safety net" is the stable U.S. dollar and the free convertibility system, open market, free trade system, and the stable supply system of inexpensive oil. For this, the United States had to make some temporary sacrifices. For instance, the exchange rate of the U.S. dollar remained stable and was set fairly high, thus making U.S. commodities less competitive on the international market. When the U.S. domestic market was opened to other

Western countries, Western countries were allowed to temporarily withhold opening their own markets and to exercise some forms of discrimination against U.S. commodities.

The main content of the so-called "military safety net" is different multilateral or bilateral military security treaties and the U.S. nuclear protective umbrella. For this, the United States had to pay a certain price. For instance, its military expenses and overseas military duties were much greater than those of other Western countries. Using Western countries' fears of the Soviet Union during the cold war period, the United States established and maintained this "military safety net" to satisfy U.S. needs in its contention with the Soviet Union for hegemony and to increase the sense of military security for other Western countries.

Beginning in the late 1960's and the early 1970's, the position of the U.S. dollar was shaken, waves of protectionism occurred one after another in the United States, and U.S. transnational corporations lost control of sources of inexpensive oil. At the same time, the United States lost its absolute nuclear predominance over the Soviet Union. The two safety nets provided by the United States for Western countries became less and less reliable as the number of loopholes increased. More important, during this period the economic, scientific, and technological power of West Europe and Japan recovered and increased substantially. West Europe established the Common Market and Japan became the second economic, scientific, and technological power in the West. It was under this condition that the multipolarization of the world economy began.

II. Irreversible

At present, many factors are accelerating the continuous development of multipolarization in the world economy. There are long- and short-term factors. Long-term factors include mainly the following four points:

1. The United States will be less and less able to afford the price of maintaining a unified international economic system. In the 1950's and the 1960's, the United States had the strength and conditions to unilaterally open its market to the world with regard to currency and trade and at the same time tolerated certain discrimination imposed on it by its trading partners. In the 1970's, the United States began to ask its trading partners to change this unequal practice. In the 1980's, the United States practically gave up this unequal practice. In the 1950's and the 1960's, while enjoying and maintaining the relevant prerogatives of the international economic system (such as issuing an unrestricted amount of U.S. dollars overseas), the United States could assume corresponding duties (such as maintaining the free convertibility and fixed exchange rate of U.S. dollars). But, in the 1970's, the United States could no longer assume corresponding duties while it continued to enjoy the prerogatives. In the 1980's, not only did the United States continue to enjoy the prerogatives while being

unable to assume duties, it also needed support from its trading partners. In the 1970's, it basically could still uphold the goal of free and open world markets. By the 1980's, some of its actions practically indicated that it had abandoned this goal. Since the ability of the United States to maintain a unified international economic system continues to weaken, other Western countries cannot but find their own way out and establish their own systems to protect themselves.

2. The rapid development of science and technology has worsened the imbalance of changes in the economic power of various countries and in the structure of domestic economic departments in different countries, thus intensifying economic and technological competition. Scientific and technological revolution has helped bring about new technological powers or newly developed areas. Science and technology differs from such productive factors as natural resources and labor. It also differs to a lesser degree from capital. It can be more easily created and transferred. Japan and East Asia have been able to develop precisely because they have used this characteristic of science and technology and have seized the opportunities of the scientific and technological revolution. Future waves of scientific and technological revolution may accelerate the emergence of new, powerful scientific and technological nations or of newly developed areas to continue dealing blows to the scientific and technological monopoly or superiority of the United States. Science and technology have also accelerated the replacement of old industries with new ones. In the current scientific and technological revolution, Western countries suffer growing burdens resulting from the structural crisis of declining industries and the structural unemployment of workers in such industries. They all try to shift such burdens onto other countries. Moreover, since many other factors of depression also existed in the past 10 years in the West, economic nationalism and trade protectionism quickly emerged in Western countries. As a result, economic and technological competition has become increasingly acute as each day goes by. They all resort to economic grouping for a solution.

3. The growing internationalization of economic activities has made international economic relations become increasingly complicated. The global economic system established in the initial postwar period can no longer adjust to current changes, and the United States cannot by itself control such changes. Transnational activities are increasing and spreading every day in the fields of trade, production, management, scientific research, service, and banking. Since 1950, world production has increased fourfold, but world exports have increased eightfold. In the early 1980's, over 15 percent of world domestic product was sold in overseas markets, and about 20 percent of world domestic product was manufactured abroad. In the 1950's, the international transfer of financial assets was extremely limited. Today, as much as \$1,000 billion are transferred daily. More and more countries are getting more deeply involved in the world economic system. The number of nations joining

GATT has increased to 96 from 23 in 1948. International economic exchanges have expanded rapidly from the trade of commodities to the fields of service and intellectual property rights, which originally were not included in GATT. In 1987, service already accounted for 40 percent of total U.S. exports. Production has become more specialized in all countries. International division of labor has become more intensive. Such complex and broad internationalization of current economic activities has raised many issues that are hard to resolve on a global basis. Western countries, including the United States, hope to find a more satisfactory answer on a regional basis.

We may say that economic grouping is the product of growing economic and technological competition and intensified internationalization in economic activities. Economic grouping is a form of strengthening economic openness and cooperation which was raised under the condition of acute global competition and rampant protectionism to meet the demands of internationalized economic activities on a regional basis. An economic group tries to be open and nondiscriminatory and practices a high level of trade liberalization among its members. It is open only partially to the outside and practices different degrees of discrimination. It uses the method of discriminating between members and nonmembers in order to cope with global competition and to meet the demands of internationalization. It can take both offensive and defensive positions and be useful in both ways.

4. The continuous relaxation of the world situation will reduce the military threat posed to the West by the Soviet Union and will increase the sense of military security for West Europe and Japan. This will make it more difficult for the United States to use military protection as a means to force its allies in West Europe and Japan to accept its leadership. Because of this, from now on the independence of West Europe and Japan may be further strengthened and the cohesive force holding together Western allies may be further weakened.

The main short-term factor in accelerating the development of multipolarization in the world economy is the economic imbalance of the West. The double deficits—trade and budget—of the United States, in particular, will continue to sharpen the economic contradictions between the United States and its trading partners and will encourage the change of U.S. traditional policies and the tendency of other Western countries to act on their own. From 1981 to 1987, U.S. commodity trade deficits increased from \$27.98 billion to \$160.28 billion, and the running U.S. income and expenditures change from a surplus of \$6.89 billion to a deficit of \$153.96 billion. As a result, during this period, the United States changed from a creditor nation with net foreign credit of \$141.1 billion to a debtor nation with net foreign debt of \$368.2 billion. If this continues, by the end of the 1990's U.S. net foreign debt will exceed \$1,000 billion and U.S. foreign interest payments will be about \$100 billion. During the 1981-88 period, the accumulated U.S. budget

deficit was \$1,215.8 billion, equivalent to 27 percent of U.S. GNP in 1987. By the end of 1988, the total amount of U.S. federal government debt increased to \$2,600.8 billion, up from \$994.3 billion at the end of 1981. At this rate, by the year 2000, total U.S. federal government debt will be as high as \$7,000 billion to \$8,000 billion, and its interest payments will be near \$700 billion or \$800 billion. If no measures are adopted now, by that time it will be even more difficult to solve the double deficit problem of the United States. To solve this double deficit problem, the United States is bound to touch upon its interests and the interests of its trading partners and increase the tension in their relations. This has become a factor that should not be ignored in causing West Europe and Japan to take a further step away from U.S. control.

III. The Intentions and Objectives of Different Parties

The United States, West Europe, and Japan do not like to see the world market becoming divided. West Europe and Japan do not want to, nor are they able to, replace the role of the United States in maintaining the international economic system. In addition to the common basic objective of satisfying the demand of internationalization of economic activities, they all have special objectives in organizing or seeking to organize different forms of economic regions.

On the one hand, the United States still firmly advocates the principle of continuously maintaining the unified international economic system, upholds the multilateral trade negotiation policy, and gives full play to the roles of GATT and the International Monetary Fund in organizing and regulating international trade and financial activities. On the other hand, the United States also vigorously promotes the bilateral reciprocal trade policy and the regional preferential treatment policy. On the one hand, in 1982 the United States urged the reopening of multilateral trade negotiations by GATT, which was later referred to as the Uruguay Round of talks. On the other hand, the United States established in August 1983 the Caribbean Preferential Trade Zone and signed bilateral free trade agreements with Israel and Canada, respectively, in June 1985 and January 1988. It has also negotiated with Mexico on signing similar trade agreements. By promoting global and multilateral negotiations simultaneously with regional and bilateral negotiations, the United States use them to supplement and promote each other to achieve the objective of trade liberalization which it has been advocating.

During the Uruguay Round of negotiations of GATT, which are now being carried out, the United States vigorously advocates that the scope of GATT, which is limited to the trade of industrial goods, should be extended to the trade of farm products and services. It also demands that the farm product subsidy system be abolished, that the trade of services and farm products be liberalized, and that intellectual property rights be protected. This is because the United States has great advantages and is highly competitive in these fields of

trade. However, the progress of negotiations of the Uruguay Round in these fields is not very smooth. The United States tries to use the action of signing free trade agreements with Canada and other countries to influence the negotiations of the Uruguay Round. The U.S.-Canadian free trade agreement clearly stipulates that industrial goods, farm products, services, and investment will be liberalized in an all-round way, thus establishing new trade rules for the negotiations of the Uruguay Round and forcing this global negotiations to do the same.

Another purpose in signing free trade agreements between the United States and other countries, including Canada, is to put pressure on West Europe and Japan. The EEC is deepening economic integration and organizing a closer economic group. The United States is afraid that this will hurt trade between the United States and West Europe. Besides, severe contradictions already exist in the trade of farm products between the United States and West Europe. The United States tries to fight the intensified economic grouping of West Europe by organizing a North American free trade zone with Canada and Mexico and use the stipulations of the U.S.-Canadian free trade agreement concerning the trade liberalization of farm products to force West Europe to give in and abandon the farm product trade subsidy system. The United States has a great advantage over Japan in the trade of services, intellectual property rights, and farm products. The United States also suffers great deficits in its trade with Japan. It is estimated that the United States probably also wants to use the U.S.-Canadian free trade agreement as a model for signing similar agreements with Japan in order to force Japan to further open its market to the United States. In recent years, many U.S. officials and noted scholars have brought up such proposals to Japan to feel it out, but the U.S. Government has not made official proposals in this regard to the Japanese Government. It looks like the U.S. Government is ready, but in order to maintain the initiative in its negotiations with Japan, it makes no move.

Japan advocates all-round multilateral trade negotiations and opposes establishing a bilateral free trade system with the United States alone. Japan has long hoped to strengthen the economic cooperation of the Asian-Pacific region. In the past 2 years, it stepped up efforts to organize the "East Asian economic circle." This action of Japan is a reaction to the single-market plan of Europe. It is also intended as a countermeasure for the U.S. proposal of a bilateral free trade system. Japan and other East Asian countries and areas all maintain very close economic relations with the United States. In 1987, Japanese trade with the United States accounted for a third of total Japanese trade, higher than its trade with the East Asian region. Therefore, it is very difficult for Japan to establish the "East Asian economic circle" that excludes the United States. But Japan can use it as a basis to give Japan more weight in bilateral trade negotiations with the United States. Japan also

hopes to use the "East Asian economic circle" as a basis for promoting the plan of building the Asian-Pacific economic cooperation zone.

The first goal of West European countries in intensifying economic integration and promoting economic grouping is to increase their ability to compete with the United States and Japan and to reverse the current situation of relatively backward economy and technology. Since the beginning of the 1970's, economic depression has been worse and the tendency of slow growth and stagnation has been more obvious in West Europe than in the United States and Japan. West Europe has changed from being advanced to being backward in the high-tech sphere. West European commodities have been under-sold and attacked by U.S. and, especially, Japanese commodities on local and world markets. Many commodities have continued to lose their share of the market. They try to promote the integration of West European enterprises and high-tech research and development through strengthening market integration to raise the high-tech level of West Europe and increase the strength of West European enterprises and their ability to compete, thus accelerating the economic development of West Europe. The purpose of West European countries in deepening economic integration and promoting economic grouping is also to promote political and military cooperation among them and strengthen the international status of West Europe.

IV. Effect on International Situation

Generally speaking, the declining of U.S. economic hegemonic position, the multipolarization of the world economy, and the relatively balanced economic development of large countries will have positive effects on world situation.

In the economic sphere, implementing a freer and more open policy within each economic group can speed up the movement of commodities, services, capital, technology, and labor, reduce circulation expenses, and reduce production costs and sale prices. Intensifying the division of labor within the region and competition among enterprises can help increase the production efficiency of member nations. Carrying out transnational integration or enterprise cooperation in member nations can achieve better results of economies of scale and increase their strength and ability to develop high technology. Establishing new mechanisms to solve economic and trade disputes can help alleviate protectionism and economic problems within the economic group. In sum, it can give a boost to economic growth and employment. It is estimated that before 1992 the EEC single-market plan itself will increase the annual economic growth rate of the EEC by 1 percent. It is estimated that the North American free trade zone will also play a role in accelerating economic growth in North America because trade and economic activities within the zone are booming.

As the grouping of the world economy further develops, a part of trade outside the group may be switched to

trade within the group, thus making it more difficult to carry out trade between member and nonmember nations. The proportion of trade with nonmember nations in the total amount of group trade may decline somewhat, but, since the total trade volume of an economic group will increase due to economic development in the group, the absolute volume of trade with nonmember nations may also increase. This may make up part of the reduction in the group's trade with nonmember nations. Moreover, economic grouping can also stimulate capital exchange between countries or between member and nonmember nations, enhance their economic relations, and help accelerate each other's economic development. Today, when internationalization of economic activities has reached such a scale, it is impossible for any economic group to reduce too much its ties to the outside. All economic groups need to continue to implement the open-door policy. The only difference is the degree of openness to the inside and the outside.

In the 1990's some favorable factors for improvement exist in the economy of the West. Among them, the two most basic are that the new industrial and technological revolution is springing up vigorously and that the economic readjustment of Western countries has achieved great results. It is possible that a new economic boom will gradually take shape during different phases of prosperity and depression. The multipolarization and grouping of the world economy may, as a whole, have some definite positive significance in the new economic boom of the West. They will have obvious positive effects on certain regions.

In the political sphere, the multipolarization and grouping of the world economy will cause large countries of the West to regroup. Since U.S. hegemony does not work, the United States needs to borrow outside forces to help maintain its leading position in the West. It needs to unite with Europe as well as Japan. But objective conditions will force it to give more attention to dealing with Japan, which is rising rapidly, and to solve the issue of U.S.-Japanese relations. The West brought up four possibilities for future U.S.-Japanese relations: U.S. hegemony with Japanese support, joint U.S.-Japanese hegemony, multinational joint hegemony, and Japan replacing the United States. Judged from the current situation, the first future is actually an extension of current reality, and the third and fourth futures are obviously impossible for the time being. If joint U.S.-Japanese hegemony is interpreted as the United States and Japan making joint decisions on the affairs of the West, U.S.-Japanese relations seem to be changing in this direction.

The United States needs to borrow Japanese power in three areas: 1) It asks Japan to share military responsibility for the Far East. 2) It asks Japan to help the United States aid Third World countries, especially those who have strategic significance to the West. 3) It asks Japan to cooperate with the United States in solving major economic problems of the West. Japan seizes this opportunity and asks that its political position, which is unsuitable to

its economic strength, be changed vis-a-vis Western allies and that its status in the alliance be raised in an attempt to become a large political power in the world. As a matter of fact, as Japanese contributions to the West grow politically, economically, and militarily, Japan's right to speak has continued to increase in the Western alliance. Since 1980, the seven-nation summit meeting has discussed not only economic issues but also issues of East-West relations and political strategies. Japan and six Pacific allies took part in these discussions. Before the year 2000, Japan may replace the United States to become the third-largest capital export nation (based on accumulated amounts) and the largest creditor nation of the world. As Japan's infiltration and influence in Third World countries exceed that of the United States and other developed Western countries, Japan may become the main target of U.S. dialogue on North-South issues. In the decisionmaking process of Western economic issues, the U.S.-Japanese central role has taken shape unofficially. This special relationship between the United States and Japan has caused misgivings and objections in West Europe. In 1987, former French President d'Estaing made some remarks that gave us much food for thought. He said: "There are now two kinds of close talks dominating international life. One is the U.S.-Soviet dialogue on disarmament; the other is the U.S.-Japanese dialogue on the economic balance of the world." He said: "Europe should reverse the situation in which two closed talks dominate international life."¹ The increased integration of the United States and Japan in competition is a noteworthy issue in the future development of East Asia and the world situation.

The multipolarization of the world economy and the balancing of economic power of large nations will inevitably increase the contradictions and competition among large nations or groups of large nations. At the end of the 19th century and the beginning of the 20th century, when the world economy became multipolarized and the economic power of large nations became balanced for the first time, acute contention and two world wars occurred. In the 1930's, a serious confrontation of economic groups occurred. Due to the drastic change in world situation after World War II, the current multipolarization in the world economy and the balancing of economic power of large nations will not lead to the confrontation of economic groups as in the 1930's or to wars. On the contrary, dragging superpowers more deeply into economic competition is conducive to consolidating the world detente and peace. In sum, the multipolarization of the world economy will result in the strengthening of both international competition and cooperation. This is an important tendency in international relations of the 1990's which all nations in the world must have a clear understanding of and quickly adjust to.

Footnote

1. "Paris Contest Pictorial" of France, 19 June 1987.

AGRICULTURE

Strategies Developed To Increase Major Crop Yields

90OH0077A Jinan DAZHONG RIBAO in Chinese
15 Sep 89 p 2

[Article by correspondent Tang Zhengzhong (3282 2973 1813): "Nine Experts Talk About Developing the Province's Five Major Crops"]

[Excerpts] [Passage omitted] **Potential Remains for Increased Wheat Yields; Current Need To Get Techniques Into Households** [passage omitted]

Shandong Province's wheat yields per area unit currently stand fourth in the country after Shanghai, Beijing, and Jiangsu. Shanghai's and Beijing's wheat growing area is small. Jiangsu Province grows somewhat more than 30 million mu. In 1986, Jiangsu's yields averaged 276 kilograms per mu, while Shandong's yield was only 247 kilograms. During the winter of 1988, everyone was very pessimistic about Shandong's wheat. How can yields be increased during the summer of 1989 to produce an output totaling 31.6 billion kilograms? First, this depends on good weather. The second way is to use three experiences that have been gained, namely, close attention on the part of leaders on investment, and on the use of technical measures. The key is close attention on the part of leaders. When leaders pay close attention, it is possible to move ahead, investment in chemical fertilizer and diesel fuel is likely to increase, and support is also provided for the implementation of technical measures. From a technical standpoint, if several applied techniques could be vigorously promoted, wheat yields could be increased. One example was the careful sowing of high yield wheat varieties, which Shandong Province extended to an 8.46 million mu growing area in 1988, and from which it harvested yields averaging 400.5 kilograms per mu, thereby increasing output by 375 million kilograms at a saving of 34 million kilograms of wheat seeds. If the growing area for this wheat can be increased to 15 million mu in the fall of 1989, the 1990 summer output should increase to more than 750 million kilograms (inclusive of the amount of seeds saved in the province). The question now is how to get the necessary techniques into individual peasant households. Today, farming techniques are usually extended only to the township and town level. A way must be found to get peasant households to find out about them. Thus, a village primary level organization for the promotion of agricultural techniques should be established, along with a superior seed propagation system, and a technical services system. The very great mongrelization and serious regression of seed varieties today greatly impairs increased yields. Services are needed before, during, and after wheat production. It is suggested that the province exert great efforts to do a good job in these regards.

Although potential exists for increasing wheat yields, the needed reserve strength is clearly inadequate. One important reason for the several breakthroughs that Shandong Province has made in wheat yields was the regeneration of wheat strains. Today, no new wheat strains capable of producing between 600 and 700 kilograms per mu have appeared. The technical wherewithal to achieve this is inadequate. Advanced research should be accelerated for steady increases in wheat yields. Establishment of a wheat research institute, or a wheat research center is suggested as a means of intensifying wheat research. Shandong Province is the country's principal wheat producing area. Research organizations for corn and cotton are in being, so why not establish one for wheat too? Practice has demonstrated that even limited investment in science and technology play a very great role and produce very large returns.

Increases in Corn Yields Are Just Beginning To Take Off; Key Lies in Good Performance in Breeding Fine Strains

Unlike wheat, increases in the province's corn yields are beginning to take off as a result of breakthroughs made in the breeding of high yield strains. In 1982, Yedan No 2 with yields of 902 kilograms per mu appeared, and in 1988 a hybrid appeared that produced small area yields of more than 1 ton. Both were compact types of corn. In recent years, Shandong's peasants have gradually come to appreciate compact types of corn, growing it on 62 percent of the corn growing area in the province. One may say that the province's grain output has been at a standstill, but corn yields have risen enormously. From a technical standpoint, another 50 kilogram rise each year should not be a problem. The key lies in solving the following problems: First is to reach a consensus. Today, some seed departments have different views about the promotion of compact types of corn. They would prefer to promote other low yield corn varieties. If the reason is caring only for their own economic interests, that certainly should not be. Second is accelerated breeding of seeds. Today, most of the compact corn hybrid seed production is done by units concerned outside the province. This causes a serious outflow of resources, and a sense of serious inadequacy in Shandong. Effective actions should be taken to redress this problem. Third is the need for a rational pattern of crop distribution, emphasizing promotion in the western parts of the province. High corn yields require a fairly large amount of water, and the western part of the province diverts the Huang He for irrigation. It also has ample sunlight. The eastern part of the province lacks water, and also has less sunlight. Furthermore, its arid mountain regions are not suitable for promoting the growing of corn.

Winning high corn yields likewise requires getting techniques into individual peasant households. This is, in fact, a matter of improving the scientific and technical understanding of the peasants, particularly grassroots

level cadres. Practice has demonstrated that when the technical quality of cadres rises, enabling them to take the lead in setting an example, widespread promotion is no longer difficult.

Potatoes Are Also a Cash Crop; More Should Be Grown in Dryland Areas

The ability of potatoes to withstand drought to produce high yields was demonstrated in 1989 when corn yields declined while potato yields increased in some dryland areas. Shandong Province stands first in both yield and output of potatoes, its potato growing area being second only to Sichuan. From a technical standpoint, further yield increases to 50 kilograms of dried potatoes per mu (figured at 1 kg of dried potatoes per 5 kgs of fresh potatoes) should not be difficult. The key lies in solving the seed potato problem, meaning retaining sufficient seed potatoes in 1989, storing them well, and tending them well next spring. Unless this is done, proper density cannot be insured, making yield increases difficult. The soil layer also has to be deepened, and more organic fertilizer spread. Potatoes especially need potash; otherwise, they will produce only plants without producing potatoes. The past practice of applying a lot of grass and wood ashes should be considered now. Growing potatoes under plastic mulch is also another way to increase yields.

Formerly, the province grew large quantities of potatoes, which were used as part of the grain ration. Today, potatoes have to be regarded in a different way. They must be regarded as cash crops. This is because dried potatoes can be exported, and they are also an industrial raw material. The leaves and plants can also be used for livestock feed. Shandong Province does not have enough water, and will likely be somewhat dry in the future. Large scale growing of potatoes in water-deficient mountain areas and hill regions is a fine way to increase grain yields. Some places are in the habit of intercropping potatoes and corn. Although this makes full use of available sunlight, it would still be better for places that are able to grow corn to grow nothing but corn, and for places that cannot grow corn to grow only potatoes. This is because places lacking water may produce corn yields that are lower than yield from the growing of nothing but potatoes. When places having water grow potatoes, greater corn yields are impaired, and high potato yields cannot be counted on either.

Increased Growing of Cotton Awaits Preferential Policies; More Research Required on Techniques for Producing High Yields of Both Grain and Cotton

Shandong is suited to the growing of cotton. Increased cotton yields would have a major effect on development of the country's textile industry. The current problem is the competition for land between grain and cotton, quite a few peasants being unwilling to grow cotton.

Some places have achieved very good results from the companion cropping of grain and cotton, thereby solving the problem of competition for land between grain and

cotton. However, this can be done on a small area, but doing it on a large area is difficult. Getting high yields from both grain and cotton, particularly sustained increases in yields, is even more difficult. This is because no techniques for doing this exist as yet. Further research is needed. The reason that the grain and cotton companion cropping techniques used on large areas in Wenshan County cannot be extended elsewhere is the specific conditions in Wenshan County. A look at the areas of Shandong Province suited to the growing of cotton shows that companion cropping of grain and cotton over large areas in Dongying and Huimin prefectures is not possible during the near future. Potential in Heze and Jining prefectures is not very great either. The best places are Liaocheng and Dezhou prefectures. Since companion cropped cotton yields are not high, and since cotton prices are restricted and not as good as for corn, peasants are reluctant to grow it. If this situation is not handled properly, cotton field plans and output for 1990 will be very greatly affected. This problem must be solved before autumn sowing in 1989. This is because when grain and cotton are companion cropped, a planting method must be decided upon at the time that the wheat is planted in the fall. Sufficient land must be set aside; otherwise, nothing can be done the following spring when cotton is to be planted.

Today, when the state is not likely to increase cotton prices very much, getting the peasants to grow cotton, and particularly to stir their enthusiasm for companion cropping grain and cotton, will require not only an intensification of political and ideological work, but also the formulation of associated preferential policies that are in keeping with economic laws. It is recommended that when instituting policies that link chemical fertilizer and diesel fuel to the growing of cotton, pesticides should also be included. This is because pesticides are necessary to grow cotton, but pesticide prices are currently high, and their supply is also a headache for cotton peasants. It is also suggested that the cotton seeds and the cotton lint be returned to the cotton growing peasants. If the state wants them, procurement methods should be flexible; however, the cotton growing peasants must derive benefit.

Broad Prospects for Increasing Peanut Yields, the Pressing Matter of the Moment Is Plastic Mulch

Peanuts are one of Shandong Province's supreme products. In 1985, 13.7 million mu were planted to peanuts, yields averaging 190 kilograms per mu for a gross output of 52 million dan. Shandong held first place in the country in terms of peanut growing area, gross output, yields, and amount of export. The growing area declined after 1985, but in 1987 yields increased to 200 kilograms.

From a technical standpoint, for the next 3 to 5 years, Shandong should have no problem increasing peanut yields by 25 kilograms each year inasmuch as some of the technical wherewithal to do so is available. Small area yields per unit of area in Shandong reached more than

746 kilograms in 1983. Today six counties produce yields of more than 250 kilograms per mu, a cumulative total of 90,000 mu of high yield plots producing more than 500 kilograms per mu. A new variety, Luhua No 9, fits into the crop rotation pattern well, ripens early, is of good quality, is suitable for export, and increases yields by between 20 and 30 percent. It produces yields of more than 500 kilograms per mu on large areas. In 1988, this variety was grown on 50,000 mu in Yingxian County. In addition, the plastic ground mulch technique, and the technique for producing 400 kilograms of both wheat and peanuts currently being promoted also show good results.

Right now, not only should dryland peanut growing methods be actively studied, but a difficulty encountered in the spread of the plastic mulch technique that also requires study is the high price of plastic mulch and the clogged supply channels. Once the plastic mulch technique was extended to many crops in the country, foreign countries seized us by the throat. In 1988, the price of the polyethylene raw material imported to manufacture plastic ground mulch rose to more than 7,000 yuan per ton, and the exfactory price of plastic mulch also increased to 8,600 yuan per ton. Formerly, supply and marketing cooperatives had no interest in handling plastic ground mulch. After it became a monopoly, and the state ruled that a 12.5 percent fee could be charged for carrying it, they became interested. However, by the time it reaches the peasants hands, the price was more than 10,000 yuan per ton. As costs increased greatly with not much income obtained from yield increases, peasants became disinterested in this technique. This was particularly true because supply and marketing cooperatives lacked a service sense once they enjoyed a monopoly on the sale of plastic mulch. Although they reduced their fee to 11 percent, they took to writing out chits that they told the peasants to take to the factory to collect the goods. They shifted to the peasants the cost of transportation, storage, and bank loan interest, which not only increased the peasants' outlays, but also made them feel inconvenienced. It also increased the amount of plastic mulch in factory storage, thereby tying up funds. It is suggested that this method be rectified as soon as possible.

Rural Unemployment Remains 'Serious Problem'

40060721A Beijing NONGYE JINGJI WENTI
[PROBLEMS OF AGRICULTURAL ECONOMY]
in Chinese No 7, 23 Jul 89 pp 9-11

[Article by Wang Yuzhao (3769 7599 2507), Rural Development Research Center, State Council: "Employment of Rural Population During Modernization"]

[Text] A Serious Economic and Social Problem

Over a long period, China has been adopting a policy of tilting toward heavy industry, practicing a course of "agriculture supporting industry" which uses the "scissors differential" method to take capital from the agricultural sector and places 80 percent of the population

on narrow strips of tillable land in the countryside. Add to this, loss of population control over a long period has contributed to a large rural population and labor force building up in face of a low level of economic development. Because of this, the problem of a surplus rural labor force has been present for a long time, except it was covered up by the old regime and not exposed for all to see.

Since reforms have been initiated, the problem of inadequate rural employment is beginning to surface. With problems of food and clothing basically met, and development of the commodity economy, the hopes of peasants looking for new avenues of employment have become increasingly urgent. Add to this a series of reform measures that allow peasants to enter nonagricultural occupations, that within a few years, have found tens of millions employed in new economic sectors. While this type of employment is still quite unstable, it is, nevertheless, a partial solution to this paradox of inadequate employment building up over a long period. This is a historical trend which shows the success of reforms and development, and progress in the social economy.

The problem right now is that our reforms have not produced better conditions for rural employment, and economic development has not provided more opportunities for peasant participation. And the loss of control in population growth has continued to create a situation of more people needing employment. Add to this the structure of rural interests and benefits formed in the past, the difference in comparable benefits between industries, and the new benefit differential created by the unfair mode of social distribution existing at present, particularly for grain-growing peasants who are sinking to the lowest rung of the economic ladder, all of which drive peasants to leave agriculture whenever an opportunity comes up. This situation has made the problem of employment for the rural labor force increasingly acute.

This spring which saw a million peasants pour into the cities is a signal. That it is making people pay attention to the fact that the shifting of the surplus rural labor force to nonrural employment is an unavoidable historical trend. At the same time, it must be clearly seen that behind these one million peasants is hidden an even larger number of the same. This is a serious economic and social problem which calls for a high level of attention.

A New Approach Must Be Found

China's population problem is chiefly a rural population problem; and China's labor employment problem is also chiefly a rural labor employment problem. To resolve these problems, we must first clarify related external factors before a proper choice can be made.

1. China is a socialist country. The problem of rural employment is different from that under capitalism in its early stage, for there is no such thing as a peasant completely out of work; the problem is that most of them are not fully employed. Utilizing this surplus rural labor in a backward way to operate and manage limited agricultural resources creates a large amount of idleness and is a waste of human resources. However, channeling this surplus rural labor into the cities is also unrealistic.

2. From the perspective of international economic development, the size of the labor force attracted to prosperous nations from abroad is limited, but the requirement for skills and quality is quite high. Such a trend proves that depending on the export of labor abroad can only solve the problem of full employment of the rural labor force to a very limited extent. The chief approach to resolving this problem resides at home.

In the long term, resolving the employment problem for the rural labor force should begin in two large areas: first, in population control, to cut down on a backup source of labor; and second, in development of industry collectives concentrated close together, to open up employment opportunities.

Under set external conditions, and closely related to solving the employment problem in the rural labor force, are problems pertaining to economic development strategy and the economic system. The allocation of China's agricultural resources per person is quite small, and using traditional methods and style to manage these resources is a severely restricting factor, as well as a great waste, as far as several hundred million peasants are concerned. The reforms in recent years aim to transfer this surplus labor into a new channel, giving peasants the right of choice among various economic forms and various industrial forms. They will, rationally and fully, tap rural resources, including some nonagricultural resources, to develop a commodity economy and growing markets, to break down barriers between towns and villages, and to operate according to economic principles. This will allow production elements, including human resources, to move and combine freely between towns and villages, regions, and industries. This bold reform measure shows that China's economic development is taking a completely new course and following a completely new strategy.

Even as reforms encounter great difficulties in mid-course, which sometimes cause progress to regress, the successful direction to be taken by rural economic development and the problem of employment for the rural labor force has never been more clear. According to experiences gathered everywhere, this course is suited to developing the commodity economy, and it has established a planned market regulatory mechanism which utilizes the rural sector as the space for its primary activity, to implement the economic strategy of comprehensive development.

First, using the small towns as the support base, great effort should be used to develop town enterprises. In ten years of rural reform, the development of town enterprises has aroused attention. Up till now, the value of town enterprises is still debatable, but their various functions in the rural economy and in social development, particularly the great effect they have in providing employment opportunities, are unquestionable. Development of town enterprises has provided 800 million peasants an opportunity to express their potential and creativity, and it has opened up broad new horizons and created a situation of common development and mutual stimulation between city and town industries, rural agriculture, and town and village industries based chiefly on small towns, right when China's national economy is undergoing change. Even during the period of rectification, town enterprises faced great difficulties, but such enterprises possess a stubborn vitality. At present, we must pay particular attention to strengthening the leadership in town enterprises to improve service to them, to remove barriers and to provide for their stable development. Not only can the labor force already transferred into town enterprises be stabilized this way, it can further absorb some of the surplus rural labor as well.

Second is the development of a regional economy through multilevel development of nonagricultural industries. In the broad agricultural expanse of central China where millions of families, starting with a family economy, and adopting such forms as household operation, joint household operation, hamlet operation, village operation, and others work together like several wheels turning at the same time, with their operations adapted to locality. With each hamlet concentrating on one product and each village concentrating on one or more products, they form a small zone for specialized production, or processing, or goods finishing, while establishing various types of specialized markets at the same time. This allows large numbers of the rural population to participate in nonagricultural industries and the commodity economy.

Third is stepping up the pace of agricultural exploration and reclamation, to establish various areas for exploration. Reclaim wastelands on hills, slopes, and shorelines that are lying idle, and fully utilize household gardens to develop agricultural industries. From this foundation, further development toward industry, business, and production as part of an overall effort will not only take care of a large amount of surplus labor, but provide an earlier opportunity for the peasant population to have a better life.

Fourth is improving basic construction in agriculture and developing complimentary service industries. Reinforcing and strengthening this agricultural base will better create basic conditions for transferring the labor force while taking care of some of the surplus labor at the same time.

Fifth is exerting great effort toward developing an externally oriented rural economy, particularly in coastal

areas and those border provinces in the northeastern, northwestern, and southwestern parts of China. Full development of the available labor force in village and town enterprises and in agriculture that will bring in foreign exchange, giving it full play and channeling it on to labor intensive products for export abroad should be encouraged. Such work is possible, being able to take care of some of the surplus labor at the same time.

Sixth is active nurture of a labor market that will allow the rural labor force found between eastern China and the central and western sections of China, and that between towns and villages to be guided in its movement by market supply and demand, to arrive at a mutually complementary set of favorable conditions and a new grouping of production elements to form a new productivity in developing various nonagricultural industries.

At any rate, by following a strategy of comprehensive development, the problem of the surplus rural labor force can be resolved gradually. Moreover, through comprehensive development, modernization in agriculture will gradually become a reality.

Villages and Towns Should Complement Each Other on Industry Structure and Enterprise Levels

In the past, when the economic structure which divides towns and villages was being implemented, the economic relationship between the two was found to be a twisted one, with the town or village economy following a tendency toward self development. Such an abnormal situation is being corrected at present. While a commodity economy is being promoted, the town and village economies should be tied in with it. Since a socialistic commodity economy is practiced, the relationship between the town and village economies should be on an equal footing, of mutual benefit, mutual assistance, and mutual support.

Now that some nonagricultural resources are distributed to peasants for exploration, permitting them to initiate proper economic activity in various areas of the people's economy, this move provokes some new economic relations that need to be dealt with suitably. Generally, there are two levels of economic relations. On one level is the relationship between agriculture and the nonagricultural industries; on the other level is the relationship between the rural nonagricultural industries and the urban nonagricultural industries, particularly that between rural industries and urban industries. Microeconomically, this is essentially the relationship between specialization and concurrent employment of the rural labor force, and the relationship between rural nonagricultural enterprises and urban nonagricultural enterprises.

If we wish to have the whole economy developing harmoniously and steadily, we should see, in the way we deal with these relationships, that they are mutually complementary. Of course, a mutually complementary relationship does not exclude competition. Macroeconomically, it is the state's true industrial policy and the corresponding economic regulatory measures flowing

from it that initiates the primary leading action. Forming and maintaining a stable and healthy economic structure cannot be separated from policy direction and the support or restriction of economic measures on certain industries. In the making or selection of an industrial policy, employment of the labor force must be an important consideration. Particularly in the selection of a rural industry, how to fully utilize the surplus labor resource is an important factor on which the premise is based. China has an abundant resource in its rural labor force, which is very favorable for helping it to develop the rural economy. If development is successful, and the productivity of the rural labor force is fully activated, an unlimited amount of wealth can be created. On the other hand, if development does not go well, and the productivity of that rural labor force which comprises 80 percent of the national labor force is locked instead, in a narrow confine of land for it to be suspended in a state of unemployment or semiunemployment over a long period, it will become a heavy social burden.

Another key is attention to the effect that entrepreneurs, economic organizations, and experienced planners have on the local government. These entrepreneurs should discover the poor quality in rural labor force, organize, and form a new kind of production force that is better. Some random signals could help to identify the disorganized rural labor force. One can detect the poor labor force at anytime, and with some regularity, during the modernization process, particularly during its early stages. A few years ago, earthworm culture was a feverish activity in some places, but many peasants incurred losses because they did not have the knowledge of the quality of the work force nor the managerial technique to correct it. At present, with a million peasants streaming into the big cities, many of them have no opportunity for employment. Even in government agencies, this phenomenon occurs regularly. Problems in the legal system await reform to solve them. The extent of organizing peasants to participate in the labor market depends on raising the level of organizational quality to provide information, training, and legal services. There are also work-related problems that await improvement to accumulate some positive experience. At any rate, in an effort to regulate the town and village economic relationship so as to establish a planned labor market mechanism, we must raise the quality level of peasant organizations with a good industrial policy, and a good set of rules and systems for the labor market, that will improve such organizations and provide peasants better service.

I must mention here that having an outmoded perspective, a passive attitude, and a hard approach to deal with the phenomenon of a million peasants streaming into the cities this spring is not beneficial to our work. While the problem of some of these peasants pouring into the cities as the result of inaccurate market signals seem rather short-sighted, the economy tightened at that time and basic construction stopped, because we had begun implementing rectification measures. Some peasants were let go before the new year, but many did not want to return

to their villages. However, most of them did return home for the holidays, and came back to the cities, thereby again creating some pressure for the cities. As a result, for some localities to promote dispersal as a method to get the peasants back to the countryside is understandable. However, some localities took stronger measures to relieve the pressure, even as strong as "using iron brooms to sweep the peasants out the city gates," which is not a feasible approach. At the same time, regarding the stream of a million peasants into the large cities as a "blind flow" of the past is also unscientific and does not agree with actual conditions. Because our city gates have been opened for many years, each city has been taking in a large volume of rural labor. Some of this is a seasonal flow, with peasants planting and attending to their fields during the busy growing season, and working at small jobs in the cities during slack season. This is quite different from situations such as "three years of difficulty," which refers to the time when food problems were unresolved in rural areas before the reform, and large numbers of peasants fled hunger and homelessness. The present movement of the rural population into cities is propelled by the market need to develop a commodity economy. It is a socioeconomic move. Did we not suggest that we establish a labor market? A predetermined condition for forming a labor market is to permit movement in the labor force, allowing peasants to compete in the labor market, and thus push reform of China's labor system. This must be considered as a kind of progress. The task before us is to provide peasants with accurate information that will organize and transfer the surplus rural labor in their midst in such a way as to alleviate the misery and loss felt by the rural population. Therefore, all localities should look to the long term, to be more broadminded and realistic about solving problems rationally, for the peasant population is understanding. Adopting strong and blunt measures is not feasible nor possible. Even if all the peasants were to be driven away today, they will return tomorrow.

Hebei Cotton Procurement

40060010E Shijiazhuang HEBEI RIBAO in Chinese
14 Oct 89 p 1

[Summary] As of 10 October, Hebei Province had procured 62.07 million kilograms of ginned cotton, an increase of 31.86 million kilograms over the same period in 1988.

Inner Mongolia Grain Departments Issue IOU's

40060011A Beijing JINGJI CANKAO in Chinese
7 Nov 89 p 2

[Summary] The sunflower seed procurement task for Wulantuke County is 2.415 million kilograms; to procure the seeds, 3.5 million yuan of funds are needed, but banks have raised only 1.1 million yuan. Granaries are issuing IOU's to farmers. Wulantuke County also has procured over 10,000 tons of beets with IOU's because

there were no funds to pay the farmers. Bainaobao County owes farmers 580,000 yuan for grain procured in August.

Shanxi Lacks Procurement Funds

40060010A Taiyuan SHANXI NONGMIN in Chinese
21 Sep 89 p 1

[Summary] In 1989 Shanxi Province will need 2.3 billion yuan to procure agricultural products. Agricultural banks will be responsible for 1.9 billion yuan, a 72-percent increase over 1988. Of this amount, 1.4 billion yuan will be needed this autumn and winter; at present, the agricultural bank system can provide only 500 million yuan.

Hog Output Up in Sichuan

40060011B Chengdu SICHUAN RIBAO in Chinese
28 Oct 89 p 1

[Summary] By the end of September, Sichuan Province had 68.637 million hogs in stock, an increase of 7.29 million over the first half of 1989. Compared to the same period in 1988, it was a decrease of about 1 percent. During the third quarter, 9.374 million hogs were removed from inventory, an increase of 136,000 head over the second quarter. Pork output was 583,000 tons. At the end of September, there were 4.654 million sows in stock, accounting for 6.8 percent of the total stock.

Sichuan Silkworm Procurement

40060011C Chengdu SICHUAN RIBAO in Chinese
28 Oct 89 p 1

[Summary] By the beginning of October, Sichuan Province had procured 31.25 million silkworm cocoons.

Output Up, Prices Down for Sichuan Tea

40060010D Chengdu SICHUAN RIBAO in Chinese
25 Oct 89 p 1

[Summary] Gross output of tea in Sichuan Province may reach 1.18 million dan this year, however, most of the autumn tea remains on the tree. Tea prices have dropped about 2 yuan per kilogram from 1988, and income of Sichuan tea farmers will decline 20 to 30 percent this year. This year the price of black tea in the international market has risen 30 percent, but the supply of black tea for export from Sichuan is insufficient. Because prices for production materials have risen, production costs of tea farmers have increased 20 percent to 30 percent. Because tea processing plants are short of funds, they can only afford to buy more tea after they have sold the first batch. This year 31 tea processing plants in Sichuan have closed, and farmers are having difficulty selling their tea.

Sichuan Grain Storage

40060010C Chengdu *SICHUAN RIBAO* in Chinese
27 Oct 89 p 1

[Summary] As of 20 October, Sichuan Province had put 3.533 billion kilograms of grain in storage, exceeding the task by 0.66 percent. In addition, 1.161 billion kilograms of negotiated grain were put in storage.

Income Rises for Sichuan Peasants

40060010B Chengdu *SICHUAN RIBAO* in Chinese
22 Oct 89 p 1

[Summary] From January to September, per capita peasant cash income in Sichuan Province was 366 yuan, an increase of 45 yuan over the same period in 1988.

Yu Haocheng Comments on Need for Rule by Law
90ON0041A Hong Kong CHING PAO [THE MIRROR]
in Chinese No 146, 10 Sep 89 pp 56-59

[Article by Fang Xiaoning (2455 1420 1337): "Yu Haocheng on the Bitter Struggle for Democracy and a Legal System"]

[Text] Mr Yu Haocheng [0060 3185 2052] is an old friend of CHING PAO. He has been rectified and has met with frequent misfortune as a result of frankly making public his profound thoughts on China's legal system for the first time to the outside world when he met with our reporter in the summer of 1985. Since the "June 4th incident" in Beijing, there have been reports that Mr Yu has been arrested or placed under house arrest, but none have been verified. However, his personal phone has been cut off, which makes us all the more concerned about him. To show our concern, we are specially publishing the notes from Fang Xiaoning's interview.

I had interviewed China's famous legalist, Mr Yu Haocheng, prior to the "1989 student movement" on the mainland. Mr Yu left me with a deep impression because of his honest, sincere, and kindly manner and entirely studious bearing. It is as though no time has elapsed since I heard him talk. Distinct in my mind are his solemn and warm tone and his sure and steady upright pace.

Worked in the Arts, Knew Two Languages at a Young Age

In response to a question on his background, Mr Yu said, "I'm a Manchurian. I will be 62 years old this year. Originally, our family surname was Dong [5516]. My father, Dong Lu'an [5516 7627 1344], was originally a professor of Chinese literature at Yenching University. After joining the revolution, he changed his surname to Ding [0002], so I did the same. My father was very interesting. When I was 17 years old he wrote out about 100 names for me to choose from, from which I selected "Haocheng." Since then I have been called Haocheng. In 1942 I joined the party in Beijing. Because some connections were discovered a year later, the leaders of the organization sent me down to the border region of Shanxi Province, Chayi. I participated in the rectification of incorrect work styles, examinations of cadres' personal histories, and production. In the autumn of 1945, I was sent to the Yenan Foreign Languages University to study English. At the time there was a U.S. Army observation group in Yenan, so when I had a chance, I spoke a little English with them. After the Japanese surrender, the organization leaders sent me to be an editor of JIN CHAYI RIBAO run by Deng Ta [6772 2148]. Later, I was an English translator for the Chayi Shanxi military unit. I was 20 years old at the time, still young, so I began to study Russian. Thus, I know two foreign languages.

"It was in this way that I came to do public security work. After liberation, I first worked in the Tianjin

foreign affairs office; Huang Hua [7806 5478] was the director and Zhang Wenjin [4545 2429 2516] deputy director. At the time, there was little foreign affairs work but a lot of public security matters, so I was "borrowed" and then never returned. In October 1956, the Ministry of Public Security wanted to establish a publishing house for the masses and sent me to do the startup work. Later, I was editor and deputy editor in chief. During the Great Cultural Revolution I was locked up in Qincheng Prison. I was kept there until 2 years after the gang of four was toppled. I don't know whether the person who originally introduced me into the party just forgot or was fearful, but he dared not vouch for me, and, therefore, my time in the party is counted from after Chayi, Shanxi, rather than from 1943. I myself do not care. Anyway, it is sufficient to say I am a party member. After arraignment, I returned to the mass publishing company as editor and editor in chief until my retirement in 1985. This is my simple resume."

Frequent Illegal Activities in Qincheng Prison

Regarding the matter of being in Qincheng Prison, Mr Yu said: This can be said to be truly a matter of internal strife. When Xie Fuzhi [6200 1381 3112] was Minister of Public Security, he allowed a number of books to be purchased from Hong Kong. The book importing company gave me a book list for me to choose from. We bought so many books that I did not carefully look at every one. Two years later, that was in 1968, just at the high tide of the Cultural Revolution, someone reported to the authorities that I was collecting defamatory material on Jiang Qing. Originally, among the group of books purchased there was a volume called *A History of Chinese Movies*. It discussed some disgraceful matters from *That's Jiang Qing* by Lan Ping [5663 5493] in the 1930's. Of course, at the time I had been a bystander. I had long before been struggled against. The list of my crimes was already quite long. This final blow turned me into a counterrevolutionary. Then I was seized and put into Qincheng prison. It was for 3 years and 1 month that I was put away, from 1968 until 1971. Also arrested at the time was the poet Zhang Zhimin [1728 1807 3046]. Qincheng prison was built with the assistance of Soviet experts. It is a huge place.

The time there was very miserable. This is how solitary we were kept. I was locked inside a very small cell. A window was open very high above, so you could not see outside. All day long you could not turn out the light. When you slept you could not turn inward, you had to let the guard see your face. You were given only a volume of *Chairman Mao's Quotations* to read, nothing else at all. The first 6 months, there were no newspapers at all. Later on, you could say that we had them, but they were all 3 days old. I took the poetry and verse that I had learned and tried to memorize them. I had no paper nor pen, so I could only turn things over in my mind. Sometimes, I would forget a line in the middle, and I would kill myself trying to recall it, usually finally digging it up. I spent a long time memorizing Du Fu's *Eight Autumn Splendors*. After finishing memorizing

poetry and verse, I thought over all the songs and opera lines that I knew, although I was not allowed to sing! Next, I recalled, one by one, all the people I knew. I had nothing else to do! Only this way could I keep myself in shape, so as not to lose my memory and ability to think.

Later, they wanted me to write "information," so I wrote truthfully. I used the leftover paper to write a letter to the party Central Committee, hoping that they would hurry and investigate my case. I felt that I myself had no problem, and that I hoped that they would not lock me up there interminably. Then I turned this over with the "information" I had to write. Then the paper, pen, and ink were taken away for several days for the case to be taken up. They said I continued to "be mischievous" and "sought to destroy myself." I swore, "I am I Communist Party member, I have the right to petition Party Central." The person who investigated me was from the Number Two Office, Special Cases, Central Committee. At the time, Liu, Deng, Tao, Peng, Luo, Lu, Yang, and the others had all separately been investigated by the Special Cases unit. To have a political party especially establish special case investigation organizations is entirely illegal. The investigators forced me to burn the materials for my appeal. I said, "Wouldn't that be to say that I was continuing to be mischievous? The materials are the proof of my crime, so how can I burn them? They ought to be preserved, so they can make my crimes more numerous." So they pinched my ears and hit my head and forced matches on me, saying that I had no choice but to burn them. The same thing happened again twice later.

The year 1971 came after the 9th NPC [National People's Congress]. I was given the verdict to be handled as a contradiction among the people within the framework of contradictions between ourselves and the enemy, expelled from the party, and stripped of all posts inside and outside of the party. They allowed me to return to labor in my original unit of the No 57 Cadre School. They gave me 30 kuai per month and then later released me. They limited me to 1 month in Beijing and then I was to report to Shayang, Hubei.

During these years, my family heard that I had been arrested, but they did not know where I had been sent. Such methods as this are, of course, illegal. But, at the time, what law was there to speak of? My household registry was revoked; I no longer existed in my family. It was not until after my case was handled, in accordance with the release record, that my household registry was restored.

Later, after Lin Biao plunged to his death, the political atmosphere was a bit warmer, so we were returned to our units, although without work arrangements. Later, it was said that my problem was no longer a contradiction between ourselves and the enemy, but that I had made mistakes in my work. Thus, wages were restored, but party membership "was still false." Anyway, a few steps were taken. This was the course of events."

Reality Taught Me To Study Law

Mr Yu did not study law, so why would he want to research it and become a legal expert?

Regarding this question, Mr Yu said: I used to be rather naive. I boundlessly worshipped the party and its leaders, whether Mao Zedong or Stalin. I did not begin to consider whether there were any problems here until 1955, during Hu Feng's so-called "Counterrevolutionary Incident." How could Hu Feng's 300,000 words submitted to the party Central Committee on various interpretations of art be considered counterrevolutionary? How can the discovery of private letters be considered proof of counterrevolutionary activity? If they are, how can one guarantee citizens freedom of correspondence? In 1956, when Khrushchev exposed Stalin at the 20th Congress of the Communist Party of the Soviet Union, I just knew that problems were not so pure and simple. I learned an even bigger lesson during the Cultural Revolution. At the same time, I had always been engaged in public security work. I had done a little research on democracy and legal issues, but I did not actually write it up until after the gang of four was smashed. I felt that, although we said we were building a socialist society, what we were actually doing was often feudalistic. Thus, I attended some symposia, met a few theorists, and began writing theses and articles to deliver at some conferences. In 1983, I wrote *China's Democracy, Politics, and Legal System*. It was published by the Shanxi People's Publishing House. In 1985, I wrote *Democracy, Rule by Law, and Socialism*. Now I am the editor of FAXUE ZIXUN [LEGAL COUNSEL] and editor in chief of FAXUE ZAZHI [THE LAW].

We Must First Discuss Rule by Law and Not Use Authority to Suppress It

What Mr Yu said regarding establishing a legal system in China follows.

He said: I advocate first discussing the "legality" of administration before discussing the "legal system." Now everyone talks about the "legal system." The former uses a legal viewpoint to administer the state, while the latter formulates laws and regulations. They are different.

Mao Zedong said in 1959, "We want rule by man, not rule by law." What need was there for laws when RENMIN RIBAO published an editorial for the entire country to implement! Therefore, he promoted the nihilism of laws, considering that policies were above the law and that provided there were policies there was no need for laws. Even today we have not criticized this kind of viewpoint very well. We often want policies instead of laws. For example, the Marriage Law stipulates that the legal marriageable age shall be 22 years old for males and 20 years old for females. Yet, those in charge of these matters in the government say to people of this age when they apply for a marriage license that we have a policy to marry later and bear children later. They do not alter the Marriage Law, but they say that there is a policy to

implement. As a result many citizens ask: Is it the government which does not respect the law, or us? I can cite many examples such as this.

Even some of our leading cadres do not obey the laws we have. At times the law is actually a kind of decoration. Since other countries all have laws, China should also. Since the Cultural Revolution, the Constitution has become a piece of scrap paper. It cannot even guarantee the personal security of the chairman of the country. This has become an international joke. I am a cadre of the Public Security Ministry. I have committed no crimes, yet I was seized and thrown into a Public Security Ministry prison. Isn't this a laughing matter, too?

Therefore, I feel that China definitely has to establish genuine rule by law. Modernized countries must be democratic ones ruled by law. Of course, this will be very hard to accomplish. The main struggle is between authority and the law. Authority is still often used to suppress laws. Things are really contradictory. In the economic sphere, we have already begun reforms and opening to the outside world. As for politics, although we also mention reform, the steps taken are extremely tiny and slow. This year some leaders could not stand the quota selection, so they went all out to oppose it. So we must reform the political system. That is why I write essays and articles exploring theories for socialist democracy and rule by law.

We Must Restrict Authority and Diversify Democracy

Regarding the matter of whether this interview with CHING PAO would cause trouble, Mr Yu said: This was an issue in 1985. When the editor of CHING PAO came to see me in Beijing I wanted to discuss only three matters. First, I felt that the "three-way approach" was still the approach of "I feel safe when you handle things"; it was a feudalistic approach and very undemocratic. Second, I felt that there should be an overall plan for reform. Some leadership comrades talked about "groping in the dark." But this is a slogan of experimentalism. How can one grope in the dark? Why not find out what the situation is before making a move? As soon as you make a wrong step and turn around, there is waste. It will be hard to ask the people to follow along. Third, I proposed that the people be allowed to publically discuss current laws and policies in force. It is unfair that, although the people are the masters of the state, yet they lack the right to discuss whether policies have been correctly formulated and whether laws are rational. Moreover, I also suggested setting up a ministry of state supervision, although later it was adopted. Still, it will not do to offer correct opinions too early.

After CHING PAO published the interview, the party organization of the Ministry of Public Security wrote a "Report Regarding Yu Haocheng's Announcement of Errors." Thereafter, they did not punish me. They said I was 60 years old and allowed me to retire in September of 1985. Of course, this does not matter to me. At home

I have more time to study the issues and to write articles, essays, and so forth. Still, after all, I have lost a work post. For example, it was I who set up and chose the name ZHUO MU NIAO [WOODPECKER], but I was not allowed to work on it. In 1987, during the "antifreedom" period, I was also put on a list. Later, when the atmosphere improved, I narrowly escaped, but the restrictions still stand. In May of 1988, I went to Guiyang to participate in the National Essay Author Conference but the unit liaison refused to give me travel expenses. Originally, it was correct for male cadres to retire at age 60, but in the course of practice, retirement has become a means to make some people miserable. We don't need you, so you can obediently go away, retire "in glory." Many cadres are restricted in this way.

It is difficult to support the revolution one's entire life. For example, Mao Zedong was a revolutionary prior to 1949. He became a ruler after 1949. Prior to that, he wanted rulers to be democratic. But things changed after he became one himself. Thus, we should build a system to limit power. Without it corruption is the result.

In the past 2 years, I have busied myself with writing articles regarding the need to limit authority, power-sharing, and such matters. Democracy is diverse. Earlier, we used to say that all people are the same in terms of moral interests. It no longer looks that way. On the basis that the people's interests are basically the same, there are still different social interest groups. Thus, we must diversify. In the past 2 years I have dared not say this, but now we can begin to explore the matter. There will not be full modernization without full democracy. Now there is a kind of theory that says that democracy hinders results, that to modernize does not require any kind of democracy. This is entirely incorrect.

View of Religion as Social Force

90ON0128A Beijing LILUN XINXIBAO
[THEORETICAL INFORMATION]
in Chinese 25 Sep 89 p 2

[By Zhi Feng (1807 1496)]

[Text] In recent years, a number of differing points of view have emerged from the studies and inquiries that have continually probed the issue of religion during the socialist period. The following is a summation of these views.

I. The Reasons for the Long Existence of Religion in the Socialist Period

In China's socialist society, the class origins on which religion relied for its existence have already disappeared. However, a relatively low level of productive forces and a scientific and technical culture that is still lagging in its development, as well as social origins and sources of understanding, still provide the soil and nourishment on which religion relies for its existence. Some aspects of the main reasons religion will still exist for a long time during the socialist period are as follows:

1. The development of people's social consciousness often lags behind their social being. Religion as a social consciousness has had several thousand years of development. It has formed a strong force of habit and is a strong social force that is conservative, stable, and relatively independent.

2. A low level of productive forces and unbalanced development causes a number of people in impoverished regions who are still having problems with food and shelter to lose confidence in their present lives.

3. The development of educational, scientific, technical, cultural, and other undertakings is still relatively backward. More than a quarter of China's population is illiterate, and the dropout rate for middle and primary school students is also quite high. Many people also have various types of difficult-to-resolve problems concerning their going on to school, employment, medical treatment, marriage, family, and so forth.

4. The vestiges of the old economic relationships still exist and manifest themselves in a number of illegal economic activities. During the initial period when socioeconomic forces have been seized and are dominated by all the workers, there are still some ill-considered actions and a certain amount of alienation. There are localities in which the workers are not in harmony with each other. This type of alienation can lead to religious fantasies among some people.

5. The socialist system still has not been adequately perfected, and a system of democracy and a system of law are not adequately strong. The unhealthy tendencies in society toward corruption and the use of positions of authority for private gain still exist, and the dark phenomenon of feudal superstitions and the seamy practices of kidnapping and selling women, of prostitution, and of gambling are also there.

6. The class struggle will still exist to a certain extent for a long time. Under certain circumstances, it can even become acute and people's social relationships with each other quite complicated.

7. People who cannot correctly understand or comprehend the suffering created by certain natural calamities and the four agonies of childbirth, old age, disease, and death, to say nothing of their effective control, sometimes use idealism, belief in God, or fatalism to explain them.

8. Chinese religions are characterized by nationality. Among a number of national minorities, the entire population believes in a religion. For some national minorities, religion forms a component of their culture that is difficult to separate out. A good part of their lifestyle, habits, and customs is tied in with their religion.

9. Religion itself has also undergone constant change to fit in with socialist society. For example, after the founding of the People's Republic, Protestants broke

their ties with imperialism, and Catholics called for a completely independent church to be run by themselves and free from the control or interference of the pope in the Vatican. The Protestants developed the "three-self" patriotic movement of self-rule, self-maintenance, and self-promotion of missionary work. In these ways they accommodated to socialist society.

10. Religion has an international characteristic, and the influence of foreign religions has been exceptionally strong, especially since China's opening up to the outside world. They have used various means to carry out the religious infiltration of our country and to exert religious influence on us. These are the external reasons China's religions have existed for a long time.

II. The Function of Religion During the Socialist Period

Some comrades think that, when studying this issue, we should recognize that religion is not only a social ideology which is based on a belief in God, it is also a social force that includes believers, a clergy, and religious organizations, and it is this social force which has a different function during the period of socialism.

Other comrades think that, as a social ideology, religion in socialist society can only have a negative function of poisoning people's minds. However, they think that, as a social force, religion can have both a positive and a negative function. Still others think that, whether as an ideology or as a social force, religion's function is twofold—both positive and negative.

The main functions of religion during the socialist period are as follows:

1. As a "disordered world view," religion has had the function of an idealistic narcotic on people. It is basically opposed to the dialectical materialist world view and runs counter to scientific truth. It has no certain ties to socialism's public ownership of the economic base. And it is still a spiritual opiate to its masses of believers. The proletariat advocates science and believes in self-strength. It not only does not have to exploit the narcotic of religion to deceive the people, it does its best to limit religion's function and thereby gradually weakens religion's negative role in the ideological realm.

2. As a social ideology, religion can provide spiritual sustenance to its masses of believers, enabling them to dispel emptiness from their lives, comfort their spirits, relieve their sufferings, and calm their emotions. This has a positive influence on social stability and unity and on how satisfied people are with their lives. The substance of some of the commandments and moral concepts contained within religion's system of thought, such as punishing evil and praising good, maintaining peace, and safeguarding people, can be a force in aiding the progressive causes of mankind. For some people, religion plays a role in molding their moral character and in purifying their thinking. Thus, religious believers generally lead earnest, well-behaved lives. They are capable of respecting public morality, of honoring the old and

cherishing the young, and of showing mutual affection. The moral concepts of religion and the positive function they have on the spiritual sustenance of the masses of believers should not be underestimated.

3. As a social force, religion is of concern to the party's united front. China's religious organizations are a component part of the patriotic united front. They are a bridge and bond between party and government solidarity and people from educational and religious circles on the one hand and the masses of believers on the other. Through religious organizations and their leaders, the party and government promote understanding and cooperation and strengthen unity between the masses of believers and nonbelievers, among the adherents to different sects and religions, and between the masses of believers and the clergy and others in the upper circles of religions, thereby unifying the thinking of those in religious circles on a patriotic basis. This has the advantage of strengthening and developing a wide-ranging patriotic united front and of maintaining a stable and unified political situation in the country.

4. The broad masses of those who believe in religion and the vast majority of members in the various religious organizations belong to the masses and are the builders of the socialist materialist civilization and the spiritual civilization. A large number of those who believe in religion have had an active role in and made contributions to various aspects of China's modernization. Some among them have been evaluated as model workers and advanced workers. As a social force, religion has had an important, positive effect on developing and making flourish the economies and cultural undertakings in the various national minority regions and on China's implementation of its four modernizations.

5. Religious organizations and the masses of believers have made a definite contribution to developing social welfare undertakings. When certain regions were hit by major natural disasters, many religious organizations energetically made appeals for donations and rendered

assistance in other ways. Some followers of religious groups and organizations have carried out repair of bridges, repaving of roads, planting of trees, preservation of ancient buildings, safeguarding of the natural environment, and other such tasks. Still other religious organizations have actively served the community by running schools, training classes, and kindergartens, opening hospitals and clinics, and opening orphanages and retirement homes.

6. Many Hong Kong and Macao compatriots, Taiwan compatriots, and Overseas Chinese compatriots believe in religion. Through religious means, we can strengthen ties to compatriots, enabling them to understand and cherish the motherland better. China also has many Tibetan compatriots who are wandering destitute in foreign countries. Similarly, through religious means, we can make contact with them so they can understand party and government policies and soon return to the embrace of the motherland. Thus, religion can play an active role in promoting the unity of the motherland by the friendly contacts that can be made through it with Hong Kong, Macao, and Taiwan compatriots and with Overseas Chinese compatriots.

7. With international contacts among those in religious circles increasing more and more, religion can contribute to enhancing friendship with various nations. Through international exchanges with those in religious circles, we can develop relations, enhance understanding, and strengthen cooperation with foreign religious personages and followers. This would all have a positive effect on publicizing China's policies on religion, on widening our political influence, on opposing wars of aggression, on safeguarding world peace, and on promoting scientific, technical, and cultural exchanges.

8. As a social force, religion also has a negative aspect. Some religious followers, manipulated and influenced by foreign reactionary religious forces and by various scoundrels under the guise of religion, sometime commit evil deeds harmful to the state. We can control this by through the legal process.

Qinshan Nuclear Power Plant Thanks People's Navy

90ON0084A Beijing JIEFANGJUN BAO in Chinese
6 Sep 89 p 4

[Article by Gang Zhou (3263 3166), Zhang Ming (1728 7686), and Yuan Fang (6678 2455): "People's Navy, the Qinshan Nuclear Power Plant Thanks You!"]

[Text] The Qinshan nuclear power plant, which has received much attention throughout the nation, has been under construction in Hangzhou Bay since 1985. It has now reached impressive size. This is the first large-scale nuclear power plant in China's history whose design, investment, and construction have been totally Chinese. It is a key project, with strategic value for the state. It is the energy hope of East China.

One of the Navy's crack engineering units—the East Sea Engineering Fleet—is in charge of this project. The members of this battle-tested unit, from its leaders, engineers, explosives experts, and submarine troops, down to the sailors on every type of ship, have endured countless hardships and struggled for 3 full years in the rough, nearly deserted waters of Hangzhou Bay, and have at last completed (delivering in full, in terms of both quality and quantity) the huge water intake and outlet project.

At the completion ceremony, the leaders of the State Ministry of Nuclear Power and Industry [guojia he gongye bu 2702 1562 2814 6752] expressed their solemn gratitude to the People's Navy for its historic contribution to the construction of the Qinshan nuclear power plant.

All comrades with a little knowledge of nuclear power know that ever since the nations of the world began to use nuclear reactors to generate electricity, water has always been used as the agent of heat transfer for cooling nuclear reactors. If the water intake or outlet were slightly below standards, the consequences would be unthinkable.

The seaward side of the nuclear power plant is composed of extremely hard granite. In order to bring in seawater from Hangzhou Bay, it was necessary to use drastic explosive methods, opening up the granite in a single blast with more than 10 tons of explosives. A piece of granite on the sea floor, 50 meters long and 50 meters wide, was demolished, and two large openings were blasted out, one to serve as an inlet and the other as an outlet. This is how the nuclear power plant was linked to the sea. Large water pumps are used to pump the water in for use in the plant. In order to execute such a large blast, it was necessary to drill more than 260 blast holes. The length of the deepest was equivalent to the height of a 16-story building, and even the shallower ones were equivalent to a four- or five-story building. The length of the blast holes totaled 10 kilometers. Some of the blast holes were drilled on land, but most of them were drilled

on the sea floor. They had to drill on steep mountain sides, and work in the sea, too, to do underwater blasting.

In the face of a project with such large scale, difficult conditions, numerous hazards, and complex technology, most people shied away from the mere thought of undertaking it. Others felt the profit would not be large enough. Some wanted to do it, but lacked the capability. They racked their brains to find someone to take on the project, and, after a search, they finally discovered the East Sea Engineering Fleet. This unit has considerable capability. Of divers alone, they have more than 40, and they also have reef blasting teams, port construction teams, and freight shipping fleet. Furthermore, the unit was formed nearly 20 years ago and has a tradition of bearing great hardships and arduous labor. Even more valuable, this unit places great importance on ideological and political work. From its leaders right to the sailors, everyone has a heart burning with a sense of responsibility toward the nation. In recent years, in the midst of the reforms and opening up, the engineering fleets have repeatedly established its merit in the development and construction of the "huang jin" [7806 6855] coast. They have participated several key projects, including the great battle of the 10,000-ton berth in Beilun Harbor, the construction of an observatory, the "stilt house" on the famous "Eternal Summer Cliff" in the Spratly Islands, and Sichuan's Longzui power plant. The Qinshan nuclear power plant water inlet and outlet project could not have been entrusted to a more reliable or seasoned unit.

On 10 June 1986, the engineering corps courageously took up this heavy burden and proceeded to the construction site in Hangzhou Bay, full of pride and enthusiasm. The establishment of any enterprise always brings one to a close acquaintance with adversity. The sailors had not been adequately prepared psychologically at the beginning. They had thought Hangzhou was a typical Jiangnan scenic area, and that Qinshan was some place the first emperor of the Qin dynasty had visited. In fact, in the place where they went to set up camp, there was no trace of human habitation, or even the shadow of a ship. It was a primeval chunk of land without a road or a dock, where no boat had ever stopped. In particular, because the area near the sea was subject to the effects of climate, ships could approach only during the hottest time of the year. Without a dock, the sailors had to scramble up the steep shoreline. Without a road, they had to beat a trail through the vegetation. Steel pipes and other equipment weighing hundreds of tons had to be carried in the arms and on the backs of sailors in the sweltering sun, over peaks and mountains. Beneath the burning sun, in the dog days of summer, they lived in unventilated temporary work sheds. There was no drinking water. All they could do was use what came with the slurry from the blast holes, or drink water intended for industrial use. Many people suffered from diarrhea. There were incredible numbers of flies. They had to fight off swarms while eating meals. They had to slap them away while taking

showers. That was referred to as "doing the shower dance." The first duty of the engineering corps under these arduous conditions was to open roads where they came upon mountains and to build bridges where they met with water. Under the leadership of engineer Yang Yibin [2799 4135 2430], who is held in high esteem as an old volunteer soldier, they finally used a new technique of using guided underwater explosives and built a dock into the side of the steep coastline that measured 20 x 30 meters, thereby laying the foundation for the next stage of construction.

It took a marathon struggle of 1 and 1/2 years to drill the blast holes. Some of the holes were drilled horizontally, others vertically, and still others at an angle. The drill rods were only 3 meters long. When the length of one drill rod had been drilled, they had to fasten another to it to continue drilling. As many as 16 or 17 drill rods were fastened together in this fashion. The drill rods frequently came unfastened or broke. When this happened, it was necessary to pull a drill rod as long as 20 or 30 meters out of a blast hole only 11 centimeters in diameter. What a headache! Before drilling a blast hole, they would have to set up a drilling rig on the bedrock. Before daybreak, the sailors would carry steel pipes (weighing more than 100 pounds) and other equipment used in erecting drilling rigs to the seashore, and then proceed to erect the rigs in water 7 or 8 meters deep. Then they would begin to drill. This they did day in and day out for more than a year.

Once the blast for the nuclear power plant's water inlet and outlet were drilled, only an order from headquarters was needed and the explosives would be loaded and detonated. The person with overall responsibility was an engineer in the fleet, Yang Yuchen [2799 3768 6591], an 8th-level technical captain praised as an underwater explosives expert.

He was acutely aware of the weight of the responsibility on his shoulders. Not only was the Qinshan nuclear power plant attracting close scrutiny from around the country, but it was having some international impact as well. The International Atomic Energy Commission even sent someone to inspect. In particular, it was an extremely difficult job to guarantee with certainty that the single blast of 10 tons of explosives for the water inlet and outlet would not affect the nuclear reactor or any other equipment. Yang Yuchen had seen all the rivers, lakes, and seas. He had participated in nearly 100 underwater blasts. It might be said that there was no enemy capable of stopping him, and no obstacle he couldn't destroy, but he dared not take lightly something so highly technical as the Qinshan project. He subjected himself to the fierce summer heat and, together with the technicians and sailors, upheld the line of relying upon the masses and carried out repeated experiments to test the explosives, blasting caps, and detonator cords. He carried out scientific experiments to test the shock created by a new type of liquid explosive, and obtained large amounts of reliable data. With a complete lack of arrogance, he searched everywhere for the advice of

experts, and he even invited the manufacturers of new types of explosives to study the subject together. After scientific experiments lasting several months, he was certain of success, and then Yang Yuchen reported to headquarters. Headquarters called a meeting in which the leaders of 22 companies and related research and design institutes under the Ministry of Nuclear Power and Industry and more than 30 experts listened to a report on the explosive scale resulting from the blast, as well as the issue of the success of a single blast. Yang Yuchen conducted a question-and-answer session, until the experts felt comfortable with the project.

The time for thunder had arrived!

At a command, two red signals flew into the sky, and then an enormous rumbling filled the air. A column of smoked jumped 200 meters into the air, and the blast roared as if it were going to flatten the mountains and empty the seas.

Success! Success! A single underwater blast with ten 10 of liquid explosives had succeeded! The blast for the water inlet and outlet for the Qinshan nuclear power plant, which we designed and built ourselves, succeeded!

The blast only lasted 0.7 second and conformed completely to the predicted objectives of the project. Furthermore, the report from the nearby station indicated that the main structure of the nuclear power plant's reactor and other equipment were undamaged.

The leaders of the Ministry of Nuclear Power Industry took Yang Yuchen and the sailors by the hand and exclaimed with feeling: "Thank you, comrades from the Navy! The Qinshan nuclear power plant thanks you! In the future, all the people of East China will want to thank you!"

No sooner was one arduous task completed than another arduous task presented itself. The blast had produced 12,000 cubic meters of granite stones and boulders, which fell into the sea and had to be cleared away immediately. In order to guarantee the security of the nuclear reactor, the quantity of explosives was cut to the bare minimum, and the stones that fell into the sea were too large. Some were the size of sea horses, some were the size of elephants, while others were as big as busses filled with concrete. The sailors, by taking the broadest range of issues into consideration, had caused themselves extra headaches. With such a pile of enormous objects lying on top of each other at odd angles, it was necessary for divers to descend to the sea floor. With rocks that could be broken up by blasting on the surface, the divers placed explosives on the surface and exploded them. With huge boulders that could not be broken up with a blast on the surface, the divers had to use air drills underwater to drill blast holes.

In the middle of winter, with flying snowflakes and bone-rattling chill and dampness, eight divers under the direction of Gu Weiguo [6253 5898 0948], took turns descending to the sea floor to clear out the blasted rock.

Visibility in the turbid seawater was poor, and the explosives and blasting caps had to be loaded into the blast holes as soon as they were drilled or else the work would go for naught. Gu Weiguo and the other divers were practically wearing wreaths of thunder. The slightest moment of carelessness could cause an explosion. It could truly be said that "these eight tough men were like eight dragons." Unafraid of the cold, they plunged into the icy depths. The divers and the sailors working the dredge fought the battle together for five months and finally managed to completely clear away more than 10,000 cubic meters of stone. They won construction time for other projects at the Qinshan nuclear power plant.

Research Lifts Defense Technology Level

90ON0084B Beijing KEJI RIBAO in Chinese
18 Sep 89 p 1

[Article by Tan Keming (6223 0344 2494) and Qu Yongyi (1448 3057 5030): "China's Defense Engineering Technology Reaches New Level; Advanced Technology Pursued, Project Development Guided, Technological Potential Accumulated"]

[Text] In the 40 years since the founding of the People's Republic of China, China's defense engineering technology has achieved more than 400 important advances through scientific research, which has enabled China's defense engineering technology to reach a new level.

Defense engineering is an important part of China's deterrent force. Reliable defense engineering requires advanced defense technology. As China set itself in the 1950's to the task of establishing its national and civil defense engineering, it also correspondingly established defense engineering technology research institutions which boasted departments in every field in international civil defense activities and in the areas of scientific research, design, teaching, and construction. China established a great number of laboratories and equipment for simulated experiments. A relatively complete defense technology research system gradually came into existence, and a corps of scientific personnel with basically complementary specialties was trained. As this corps of personnel pursued the world's most advanced national and civil defense technologies, it launched into wide-ranging and deeply penetrating explorations in such areas as research on the destructive capabilities of certain weapons, research into defense mechanisms, research into internal structures and facilities inside these defense mechanisms and their shock resistance capabilities, and the compilation of norms and standards. Already, these advances in scientific research have been used to compile China's own *Engineering Design Norms for National and Civil Defense*, as well as corresponding design guidance documents, including standards, norms, and manuals. This did much to guarantee the development of national and civil defense engineering. The "Anti-Blast Shock Tube 1485," the largest in Asia, won the nation's first "First-Class Prize

for Scientific and Technological Progress." It uses non-nuclear methods to simulate shock waves from a nuclear blast. It solved the problem of the necessity to carry out experiments on blast resistance capabilities at a time when greater and greater limits are being imposed on on-site nuclear experiments. Since it was put into use, it has been utilized to carry out more than 30 large-scale defense structure, defense engineering, and light and heavy weapons simulated experiments. It has provided precise results.

The guiding philosophy of China's military development calls for strategic development. The focus of China's defense engineering and technology has shifted from the urgent priority formerly placed on engineering and construction to an emphasis on technology research on engineering and defense. Emphasis is also placed on building up technological potential and using new technologies to raise our defense capabilities. The former emphasis on the hard sciences and research on individual defense works is shifting toward a strengthening of research in the soft sciences and the promotion of coordination between the hard and soft sciences, thereby enabling research in defense engineering and technology to take a new path. The General Staff's engineering corps and units alone have achieved 159 international and domestic advances through its research since 1984. With an eye toward some existing engineering and construction problems in China's urban civil defense, they utilized systems theory and operations research for the first time to set up a systems analysis model. They assessed the strategic value of China's urban targets, and carried out quantitative analysis of the firepower that an enemy could bring to bear on urban targets in China. They also solved the peripheral issues that are part of the overall problem of civil defense engineering. The results can not only serve as the basis for the formulation of defense standards, but can also serve as reference data for overall guidance of China's urban civil defense, and for the development of strategy.

Strategic Missile System Claims Successes

90ON0084C Beijing KEJI RIBAO in Chinese
14 Sep 89 p 1

[Article by Zhang Jiajun (1728 1367 6511) and Guo Qingsheng (6753 1987 3932): "Strategic Missile System Promotes Successes in Countless Scientific Research Projects; Makes Huge Contribution Toward Development of High-Technology, Cutting-Edge Weapons in China's Military Modernization"]

[Text] The Chinese military's young organs that research combat use of strategic missiles has achieved nearly a thousand advances in its scientific research since the National Science Conference was held 11 years ago. They have continually promoted the application of their advances and forcefully advanced the development of our high-technology and cutting-edge weaponry.

The Strategic Rocket Force's weapons systems are very complex. In actual use they face problems in connection with the completeness and coordination of equipment, and with the full utilization of the weapons' capabilities. The scientific and technical personnel of an army representative office in a certain Group Army were responsible for the experimental refitting of a certain type of a guided missile. With support from relevant parties, after 6 months of effort they set a precedent by producing the first multiple-use strategic missile, and they extended the useful life of the missile as well. The guidance system constitutes the core of the strategic missile, and test accuracy directly affects the success or failure of a missile launch. Test speed directly affects the survival capability of a given weapon. In order to raise the level of automated testing in the Strategic Rocket Forces, a certain research institute worked for eight years to successfully develop an automated "ka ma ke" [0595 7456 0344] missile testing system controlled by a microcomputer which is on a par with the most advanced international standards. A certain research institute has successfully developed subsonic detection equipment to sense electromagnetic pulses of a nuclear explosion. This will be very useful in monitoring the occurrence of nuclear explosions and assessing the effects of nuclear attacks.

The 2d Artillery Corps attaches great importance to the development of an automated operational command system. The scientific personnel of a certain research institute achieved several hundred scientific advances in 10 years of hard-fought battle. In the area of communications protection systems, they achieved an important series of advances, developing an image and text facsimile system. In the area of technical reconnaissance research, they introduced a remote missile trajectory

control system. All of these developments vigorously advanced the overall project, which calls for the development of an automated operational command, and guaranteed successful communications throughout the entire network of command.

The II Artillery Corps has strengthened the use of soft science research in combat, and they have gradually formed a soft sciences research unit. A certain research institute solved several big problems connected with the training of strategic missile troops by researching the following things: the II Artillery Corps command order of battle in a nuclear counterattack; the extent of development of strategic missiles; nuclear attack plans, policies, and models; and the arguments provided by Professor Li Jingwen [2621 2529 2429] and other scientific researchers from the 2d Artillery Corps Engineering Institute regarding the quick launch plan. They also provided new subjects that can be pursued in combat-oriented research.

The huge advances which have been achieved with regard to the use of strategic missiles and combat-oriented research have significantly bolstered the overall fighting capability of our troops, and have continually raised the efficiency of launches of actual missiles. The preparatory time required for the launch of a certain type of missile was cut by a third, and our rapid response capability thus took a large step forward. The success rate for actual missile launches in the 6 years since 1983 is over 96 percent. The conditions of weapons and equipment storage has been greatly improved. A preliminary automation of management has been implemented on some fronts, and the rate of completion of the fronts' facilities is 96 percent.

SOUTHWEST REGION

Draft 1989 Tibet Economic, Social Development Plan

90ON0101A Lhasa XIZANG RIBAO in Chinese
10 Aug 89 pp 1, 3

[Text] Delegates:

At the request of the people's government of the autonomous region, I have come here before the second session of the fifth People's Congress of the autonomous region to report on the results of the 1988 Plan for National Economic and Social Development, and to tell you of various views concerning formulation of the 1989 plan. Your review and comment would be appreciated.

I. Implementation of the 1988 Plan

In 1988, the people of every ethnic group in Tibet, under the leadership of party committee of the autonomous region and the people's government accomplished a number of things. They earnestly carried out the basic party line, by which we are currently in the beginning stage of socialism, resolutely implemented a series of directives by the party Central Committee regarding work in Tibet as well as the important directives handed down by comrade Qiao Shi during his observation trip to Tibet, continued to carry out the policy of opening up both domestically and toward the outside world, further deepened reforms, strived to develop production, and vigorously raised incomes. They enabled Tibet to achieve relatively large development of the economy and various industries. In particular, by diligently making use of the program formulated by the 3d Plenary Session of the 13th CPC Central Committee, which called for streamlining the economic environment, rectifying the economic order, and deepening reforms across the board, they further promoted the healthy development of Tibet's economy. According to statistics, total industrial and agricultural output for 1988 was 933 million yuan. This was above the quota set by the annual plan, and represented a 4.2-percent increase over 1987.

A. Excellent harvests were achieved in agriculture and animal husbandry. Because the people's government at all levels strengthened its leadership and management of production in agriculture and animal husbandry, increased investment in agriculture and animal husbandry, aggressively disseminated technology, and did a good job of supplying support materials to agriculture, a good harvest was achieved in agriculture and animal husbandry. Total agricultural output for the year was 731 million yuan, which was 96.7 percent of the planned quota and a 2.7-percent increase over 1987. Of this amount, 418 million yuan of production was accounted for by animal husbandry, which was 103 percent of the planned quota. Food grain production once again broke the one billion [yuan] barrier, reaching 503,000 tons, and surpassing the annual quota. This represented growth of 8.8 percent over 1987. Rapeseed production reached 14,100 tons, which was 98.9 percent of the

annual quota and represented a 19.5-percent growth over 1987. Primary livestock production was as follows: meat products—92,000 tons, 104.5 percent of the annual quota, a 4.5-percent increase over 1987; sheep's wool—8,500 tons, 105.2 percent of the annual quota, a decrease of 4.9 percent from 1987; dairy products—190,000 tons, 102.7 percent of the annual quota, a 2.8-percent increase over 1987. Yearend livestock on hand totaled more than 23 million head, the same as in 1987.

B. There was new development of industrial production. The enthusiasm of enterprises and workers was brought into play through the promotion of such management responsibility systems as the contract responsibility system, the leased responsibility system, and the factory head (manager) responsibility system. In particular, by adjusting the industrial structure and placing importance upon the development of mineral resources, relatively large growth in industrial production was achieved. Total industrial output for the year reached 202 million yuan, which was 114.8 percent of the annual quota and represented a 10.4-percent increase over 1987. The entire labor productivity rate was 7,470 yuan, an increase of 3.9 percent over 1987. Production of major products was achieved with relative success. The output of such products as boron and cement rose to several times higher than 1987 levels.

C. Highway transportation rose steadily. As reforms were deepened, highway transportation achieved relatively good results. State-run transport enterprises around the entire region transported a total of 650,000 tons of materials, which was 94.2 percent of the annual quota and a 12.3-percent increase over 1987. Of this figure, 270,000 tons of materials were shipped into Tibet, which was 112.5 percent of the annual quota and a 20.5-percent increase over 1987. There were 180,000 tons of materials shipped out of Tibet, which was 105.9 percent of the annual quota. Because of the turmoil in Lhasa, highway passenger traffic reached only 350,000 trips, which represented a relatively large drop from 1987.

Posts and telecommunications organs strived to improve management and establish new services. Total business operations in the region in posts and communications amounted to 7.086 million yuan, which was a 26.7-percent increase over 1987.

D. New progress was made in foreign trade. Total imports and exports for the year amounted to \$22.08 million, a 19.7-percent increase over 1987. Of this figure, total exports amounted to \$15.98 million, and total imports were \$6.10 million.

Tourism was not ideal because of the turmoil in Lhasa. Despite efforts on the part of the relevant agencies, only 22,000 people were received all year, and this provided \$7 million in foreign exchange earnings. Both of these figures were lower than those for 1987.

E. Urban and rural markets were relatively robust, and the people's livelihood showed some improvement.

State-run enterprises, under the new conditions created by reform and the policy of opening up, aggressively organized supplies of goods, arranged markets, and suppressed prices. They played an important role in guaranteeing the people's livelihood. Last year, total retail sales of socialist commodities reached 1.19 billion yuan, an increase of 11.7 percent over 1987.

The standard of living of urban and rural residents rose. Per capita income for peasants and herders was 380 yuan, which was an increase of about 20 yuan, or 5.2 percent, over 1987. Urban and rural savings at year's end had increased by more than 20 percent over the previous year. Of this figure, the savings of urban residents increased by 19 percent, and those of peasants and herders increased by roughly 25 percent.

F. Fixed asset investment was carried out with relative success. In capital construction, we further promoted use of the all-round contract system and the competitive bidding system. We earnestly strengthened construction project management, accelerated the progress of construction projects, and raised the quality of engineering. A total of 442 million yuan in capital investments were completed during the year, which was 85 percent of the annual quota. Of this figure, 363 million yuan went to capital investment under the people's ownership system, which was 94 percent of the annual quota. Floorspace in completed construction totaled 480,000 square meters, and the project completion rate was 70 percent. A total of 16.6 million yuan was invested to upgrade technology, which was 93.6 percent of the annual quota. Sixteen projects were completed during the year, which was 62 percent of the planned projects and represented an increase of 27 percentage points over the 1987 figure of 35 percent.

G. New accomplishments were made in education. Education in Tibet, with the care and support of every level of the party committee and the government, and with the combined efforts of the great masses of cadres, staff, and workers on the education front, posted new achievements. The conditions for education were further improved, there was some improvement in the quality of education, and a higher number of students attended school. Last year, a total of 47,600 persons were recruited to schools of every classification, an increase of 14.4 percent over 1987. Of this figure, 7,200 persons attended regular middle schools, 1,060 students attended middle-level vocational schools, and 500 students attended higher-level institutions. By the end of the year, the total number of students attending school throughout the region was 173,300, an increase of 4.5 percent over 1987. Of this figure, 1,600 persons attended higher-level institutions, 3,500 attended middle level vocational schools, 23,400 attended regular middle schools, and 144,800 attended elementary school. In addition, 2,100 students attended higher-level institutions and middle-level vocational schools outside the region, and the number of persons sent to 16 inland provinces and municipalities to participate in courses set up for students from Tibet reached 5,200.

Corresponding progress was also made in the areas of culture, health, journalism, publishing, radio and television, and sports.

In summary, the economy of Tibet took new steps forward in 1988 and achieved fairly good success. However, some problems exist which cannot be ignored. The most prominent of them is the fact that social demand is too brisk, prices are rising too rapidly, and capital construction is overheated. Macroeconomic controls are relatively weak, and management tactics cannot keep up with the problem. Some important local products underwent chaos in the production and circulation sectors, for which reason Tibet was unable to take full advantage of its excellent resources. Enterprises are not very well run, and their economic efficiency is low. This situation has yet to be fundamentally turned around. We must earnestly seek to resolve these problems.

II. The 1989 Plan and Its Implementation in the First Half of the Year

The following make up the guiding philosophy and principles by which the 1989 plan was formulated:

1. We shall uphold the fundamental line of "one center and two fundamental points," unwaveringly carry out the policy of reform and opening up, vigorously develop socialist forces of production, and make great efforts to promote continued stable development in economic construction.

2. We shall earnestly carry out the program of "streamlining the economic environment, rectifying economic order, and deepening economic reform across the board." We shall make great efforts to increase effective supply and curb the excessively brisk social demand in order to ensure that the rate of price rises will be significantly lower than last year's. The primary tasks of this year's program of streamlining and rectification include gradually establishing and perfecting a system and methods of macroeconomic control; earnestly rectifying order in the circulation sector of the region's major products; strengthening the organization and establishment of the market; and gradually establishing the new order of Tibet's socialist commodity economy.

3. The region shall seek practical results by further adjusting the industrial structure and bringing order to economic relationships. While continuing to build upon the foundation of earnestly pursued agriculture and animal husbandry, energy resources, transportation, communications, and education, we shall place importance upon the development of agricultural and livestock products, mining, tourism, and domestic and foreign trade. We shall increase government revenues and accelerate our efforts to leave poverty behind and attain prosperity.

4. We shall carry out the strategy of achieving breakthroughs in certain districts. We shall adopt a policy of funneling investments to specific districts, and shall

make sure to do a good job with the preparatory work for development of the midreaches of "the three rivers."

5. We shall make great efforts to preserve the overall balance between fiscal policy, credit, materials, and foreign exchange. We shall gradually establish a mechanism by which to maintain macroeconomic equilibrium.

6. We shall deepen enterprise reforms, continue to perfect and develop the contract responsibility system for operation, strengthen and improve the internal management of enterprises, to make superior the use of a combined labor force, and vigorously work to increase economic efficiency.

In accordance with the guiding philosophy here described, we formulated the following primary objectives for the 1989 plan:

A. Industrial and Agricultural Production

Rate of Development: The plan calls for total industrial and agricultural output value to reach 982 million yuan, an increase of 5.3 percent over the 922 million yuan figure of 1988. Of this figure, total agricultural output value would reach 762 million yuan, an increase of 4.2 percent over the 731 million yuan figure of 1988. Total industrial output value would reach 220 million yuan, an increase of 8.9 percent over the 202 million yuan figure of 1988.

Output totals for the major products:

- Grain, 530,000 tons, 4.3 percent higher than the 508,000 tons in 1988.
- Rapeseed, 14,000 tons, same as 1988.
- Meat products, 95,000 tons, 3.3 percent higher than the 92,000 tons of 1988.
- Dairy products, 190,000 tons, same as 1988.
- Sheep's wool, 8,500 tons, same as 1988.
- Rate of livestock increase, 26 percent; rate of animals delivered to slaughterhouse, 21 percent.
- Overall commodity rate of agricultural and livestock products, 22.5 percent, 1.5 percent higher than 1988.
- Livestock on hand at year's end will be limited to less than 23 million head.
- Chromium ore, 70,000 tons, 16.7 percent higher than the 60,000 tons of 1988.
- Borax, 15,000 tons, 50 percent lower than the 30,000 tons, 20 percent higher than the 25,000 tons of 1988.
- Electric power, 280 million kilowatt-hours, 7.7 percent higher than the 260 million kilowatt-hours of 1988.
- Cement, 110,000 tons, 10 percent higher than the 100,000 tons of 1988. Of this figure, the Lhasa Cement Factory would produce 100,000 tons, an increase of 17.6 percent; Changdu Cement Factory would produce 10,000 tons, a decrease of 33.3 percent.
- Lumber, 225,000 cubic meters, 10 percent lower than the 250,000 cubic meters of 1988.
- Woolen fabrics, 150,000 meters, 25 percent higher than the 120,000 meters of 1988.

- Yarn, 240 tons, same as 1988.
- Wool rugs, 30,000, 50 percent more than the 20,000 of 1988.

B. Highway Transportation

The plan calls for a total of 700,000 tons of freight to be shipped by highway, an increase of 7.7 percent over the 650,000 tons of 1988. Of this figure, 300,000 tons would be shipped into Tibet, 11.1 percent more than the 270,000 tons of 1988; and 200,000 tons would be shipped out of Tibet, 11.1 percent more than the 180,000 tons of 1988. A total of 200,000 tons of goods would be shipped to different destinations, the same as 1988.

The plan calls for passenger traffic on the highways to reach 400,000, an increase of 14.3 percent over the 350,000 of 1988.

C. Fixed Asset Investment

1. Capital Construction

This year, as capital construction is being cut back across the nation, the state is still providing great support for economic construction in Tibet. The first phase of the state's 274 million yuan investment in Tibet is nearing completion. This figure is 49.7 percent higher than the 183 million yuan of real investment that the state realized last year. The major projects include: the new 3357 Project, the third stage of construction of Yangbajing Geothermal Power Plant No 2, the Lobusha Chrome Mine, continued asphalt paving of the Quda section of the China-Nepal Highway, changes to the Heichang Highway, and expansion of the Gongga Airport.

Local investment would total 117 million yuan, the same as 1988. Of this figure, 100 million yuan would come from local budgets. Ten million yuan would be invested to renovate hazardous building in Lhasa and to build housing in key counties. Investment of 40 million yuan would come from other sources than the state, and 20 million yuan would be made available through bank loans.

Principles for any investment paid from local budgets include: a) It must be a rational adjustment of investment structure, and it must increase the ratio of productive construction. b) First priority must be given to the coordinated investments that have been arranged by the relevant state agencies and committees. c) Investment in projects that are continuing or near completion must be guaranteed. d) Investment in key construction projects must be ensured. In accordance with these principles, and after an overall balance was struck, it was tentatively decided that investment in agriculture, forestry, and water conservancy would total 18.8 million yuan, which would account for 18.8 percent of investments paid out of local budgets. Investment in light industry would total 4.58 million yuan, accounting for 4.6 percent. Investment in energy resources would total 13.85 million yuan, or 13.9 percent. Investment in transportation, posts, and communications would total 7 million yuan, or 7.1

percent. Investment in culture, education, health, and radio and television would total 20.52 million yuan, or 20.5 percent. Investment in urban construction would total 10.59 million yuan, or 10.6 percent. Other investments would total 24.66 million yuan, or 24.6 percent.

2. Technological Upgrading

The plan calls for total investment in technological upgrading in Tibet to amount to 33 million yuan. Of this figure, 8.67 million yuan would be provided by the relevant state agencies and committees, 9.02 million yuan would be raised by enterprises themselves, and 15.31 million yuan would be provided through bank loans.

D. Supply of Materials

The supply and demand situation for production and construction materials in Tibet has been balanced overall. However, there are shortages of certain products. This is primarily true of:

Steel. The state allocated 24,000 tons of steel to Tibet this year, the same as in previous years. In carrying out the current steel project, there is a shortage of about 5,000 tons. Therefore, we must first strictly carry out a program to economize, reduce waste, and lower consumption. Second, we must try hard to obtain greater allocations from the state. We must use these two measures to achieve a fundamental equilibrium between supply and demand.

Lumber. In particular, there is a relatively large shortage of plywood. We must solve this problem by appealing to the state to increase our targets, and by bartering materials. Wastage of lumber in production and construction is currently quite serious. We must adopt strict measures to prevent this. We must formulate lumber consumption norms, aggressively promote the policy of substituting steel for lumber, and resolutely conserve the excess lumber wastage that occurs in production and construction.

The imbalance in supply of and demand for trucks is relatively pronounced. We now badly need more than 600 trucks, whether overhauled or new, but the state only allocated 185 trucks to Tibet this year, which is a large shortage. One thing we must do is to continue to appeal to the state for supplies of goods. We must also obtain more trucks by relying on lateral economic links in order to relieve the excessive disequilibrium in supply of and demand for trucks. Even if we achieved this, though, it would still be difficult to satisfy the needs of the entire region.

E. Tourism

The plan calls for 35,000 foreign tourists, 59 percent more than the 22,000 in 1988. This would bring in \$80 million, or 14.3 percent more than the \$7 million [as published] earned in 1988.

F. Foreign Trade

The plan calls for a total of \$32.6 million in foreign trade. Of this figure, exports account for \$12.8 million, and imports total \$19.8 million.

G. Education

Institutions of higher education in the region are directed by the plan to enroll 600 new students, an increase of 20 percent over the 500 new students enrolled in 1988.

The region's middle schools and vocational schools are called upon to enroll 1,120 new students, or 5.7 percent more than the 1,060 new students enrolled in 1988.

H. Wages

The plan calls for the total number of workers (including those in units directly under the central government) to be limited to 163,300 persons. Of this figure, the people's ownership system is to account for 149,200 workers. The system of collective ownership and combined operating units are to account for 14,100 workers.

The plan calls for total wages of 460 million yuan (including for those directly responsible to the central government), 4.3 percent more than the 441 million yuan of 1988. Of this figure, the people's ownership system would account for 436 million yuan, and the collective ownership system and joint ventures would account for 24 million yuan. Both of these figures represent 4.3 percent increases over 1988.

Labor productivity in industries and enterprises under the people's ownership system, according to the plan, will reach 7,700 yuan, 3.3 percent higher than the 1988 figure of 7,470.

I. The People's Livelihood

The plan calls for total retail sales of socialist commodities to reach 1.31 billion yuan, 10.1 percent higher than the 1988 figure of 1.19 billion yuan.

Grains: 40,000 tons should be purchased on contract, an increase of 3.3 percent over the 30,000 tons of 1988. From outside the region, 135,000 tons should be shipped in, which is 12.9 percent less than the 155,000 tons of 1988. Sales should amount to 120,000 tons, basically the same as in 1988.

Tea: A total of 162,800 dan are to be shipped in from outside the region, 0.5 percent more than the 162,000 dan of 1988. A total of 170,000 dan is to be sold, 6.3 percent more than the 160,000 dan of 1988.

The per capita income of peasants and herders, according to the plan, is to reach 400 yuan, an increase of 5.3 percent over the 380 yuan of 1988.

The region's population reached 2.11 million in 1988, and this year's plan calls for the population to reach 2.14

million, for a natural growth rate of 14.2 percent. The birth rate is to be maintained under 22 percent. [as published]

The plan described above was distributed late last February to every locality, municipality, and relevant organ in the region for implementation. After this conference, we will make any necessary adjustments in accordance with suggestions that proceed from the review of this congress.

1989 is already half over. In the last half year, party committees and the government at all levels have thoroughly implemented the program of streamlining, rectification, and deepening reforms in accordance with the "grasp firmly with both hands" guiding philosophy of the autonomous region party committee. While firmly taking in hand the work to stabilize the situation, they have earnestly taken in hand various projects for economic construction. Even though Tibet was affected by turmoil in Lhasa and the counterrevolutionary rebellion in Beijing, and many problems cropped up, great efforts were made throughout the province at all levels, and relatively good results were achieved. Overall, economic conditions are good. However, from the standpoint of implementation of the plan, development has not been balanced enough.

Production in agriculture and animal husbandry has been further strengthened. Party committees and government organs at all levels have strengthened their leadership of production in agriculture and animal husbandry, increased investment in agriculture and animal husbandry, and ensured supply of the materials needed in agriculture and animal husbandry. Farmland, pasture, and water conservancy capital construction has been strengthened. The primary content in these areas has been construction of bases for agricultural and livestock products, as well as the development of agriculture and animal husbandry. Measures intended to achieve increased production norms have been basically implemented. These things have all laid a relatively good foundation to achieve a good harvest this year in agriculture and animal husbandry. With respect to agriculture, total area planted with grain was expanded. There has been more use of machinery in plowing and seeding, more use of improved strains, and more contracts made in the fields of science and technology that cover more land areas than in previous years. Currently, crops are growing extremely well in the great majority of localities and counties, and we can expect a good harvest. With respect to animal husbandry, lambing and caring for the young has proceeded in a basically smooth manner except for some counties and districts that have been hit with heavy snow or high winds. The survival rate of newborn livestock for the entire region is 74.1 percent, a decline of 0.3 percent from the same period last year. The mortality rate of mature livestock is 4.1 percent, or 0.2 percent higher than in the same period of last year.

The decline in industrial production has basically been reversed and it is now gradually rising, but the goal of "having half the task completed when half the time has passed" has not been achieved. In the first quarter of this

year, industrial production dropped for a number of reasons. Total industrial output amounted only to 8.9 percent of the annual plan, a decline of 7.6 percent from the same period last year. Of this figure, the output value of handicrafts fell 12.2 percent from the same period last year. The autonomous region party committee and the people's government analyzed the situation in a timely manner, and formulated decisive measures to check the decline. With great effort by all the cadres and workers, the situation began to change for the better in April. In May, total industrial output value was 33.5 percent higher than in April, and it was 58.8 percent higher in June than in May. The output value of products within the state plan amounted to 64.2 million yuan from January through June, only 35.7 percent of the annual plan, and 6.7 percent lower than the same period of last year. This was due primarily to several causes: Production of borax, and boron and magnesium ore, basically came to a halt because sales were not good, and there were problems with chromium ore because mine construction and the implementation of monopolies were not well coordinated. The output value of handicraft industries from January to June amounted to 19.27 million yuan, which was 47.5 percent of the annual plan and the same as one year earlier. Highway transportation organs, in the face of a serious imbalance between transport capabilities and demand, overcame various difficulties and transported holiday season commodities and materials for agricultural use relatively well. They basically ensured that the needs of spring production in agriculture and animal husbandry, as well as those of the people for daily necessities, would be met. From January to June, a total of 213,000 tons of freight were shipped in the region, which was only 30.4 percent of the annual plan, 16.9 percent lower the same period of the previous year. Of this figure, 106,000 tons of materials were shipped into Tibet, only 35.3 percent of the annual plan and 11.2 percent lower than the same period of last year. There are three main reasons why total shipping was relatively low; one, the great majority of materials shipped into Tibet were sent directly to various counties and districts, which lengthened shipping distances and affected the circulation of vehicles; two, in order to maintain cost-effectiveness, transport enterprises generally wait until there are materials to be shipped out of Tibet before they will dispatch a truck to leave the region, but relatively few materials were shipped out of Tibet in the first half of the year, which affected the effort to raise the working vehicle rate; three, freight rates are too low, which to a certain extent has affected the enthusiasm of transport enterprises toward accepting freight.

Some success was achieved in foreign trade. The foreign trade of Tibet was affected in the first half of this year by the state's vigorous reduction of imports of automobiles, machinery, and electrical appliances, and by the counterrevolutionary rebellion in Beijing. However, due to the efforts of government and foreign trade organs at every level, relatively good results were achieved in exports. Imports from January through June totaled 46.93 million yuan. Of this figure, exports accounted for 26.2 million yuan which was 54.8 percent of the annual

quota and 36.5 percent higher than the same period last year. [sentence as published] At the same time, new success in obtaining foreign aid was achieved. Apart from Project "3357" and the project to upgrade the Lhasa Leather Products Factory (the plans for which were worked out last year, and the construction of which began in the first half of this year), the development and exploitation of geothermal energy has already been incorporated in "bilateral" and "multilateral" international aid plans.

Tourism has suffered greatly. The number of foreign tourists dropped sharply due to turmoil in Lhasa, unrest throughout the country, and the counterrevolutionary rebellion in Beijing. Only 1,092 foreign tourists were received in the entire region from January through June, which was only 3.1 percent of what that the annual plan called for and was 78.4 percent fewer than in the same period last year. The operating losses of tourist enterprises reaches 4.52 million yuan, 37.8 percent higher than the same period last year.

The progress of capital construction has been basically normal. A total of 116 million yuan was invested in capital construction during the first half of the year, which was 31.8 percent of the annual quota. Of this figure, more than 40 million yuan was accounted for by local investment, or 36.4 percent of the annual quota. Central government investments accounted for 58 million yuan, or 28.9 percent of the annual quota. Overall, implementation of the plan has been normal, thanks to the fact that the plan for local investments this year was handed down relatively early, construction on continuing projects resumed early, progress has been rapid, quality has been relatively good, and construction has already begun on more than 50 percent of the new projects.

III. A Few Measures for Achieving the 1989 Plan

It will be a difficult task to fulfill the various targets of this year's plan.

A. We must earnestly study and carry out the important spirit of the 4th Plenary Session of the 13th CPC Central Committee, as the speech by Comrade Deng Xiaoping. We must unify thoughts, brace our spirits, closely focus on the actual conditions in Tibet, earnestly carry out the four major directives of the Central Committee, further carry out the guiding philosophy behind the policy of "grasping objectives firmly with both hands" which was formulated by the enlarged meeting of the Standing Committee of the autonomous region party committee; earnestly carry out the work which has been scheduled for the second half of the year; and assure that Tibet's economy will develop in a stable and healthy manner.

B. We must strengthen management, increase inputs, and promote development of production in agriculture and animal husbandry.

1. Increasing production inputs in agriculture and animal husbandry. We must do several things to accelerate the development of agriculture and animal husbandry, achieve bountiful harvests in agriculture and animal husbandry, and increase effective supply for agriculture and animal husbandry. First, we must increase the investment of funds in agriculture and animal husbandry. The percentage of capital construction funds that are invested in agriculture, animal husbandry, and water conservancy, will rise from 4 percent in 1988 to 18 percent this year. It will total more than 18 million yuan. In addition, relevant state organs and certain localities have a sum of money that will be used to develop production in agriculture and animal husbandry. Second, we must increase materials inputs in agriculture and animal husbandry and make great efforts to organize and supply agricultural aid materials (especially pesticides and herbicides, chemical fertilizers, plastic sheeting, diesel fuel, agricultural machinery, and steel and wood for agricultural use). We must organize intelligently, prioritize, and guarantee supply. First, we must increase technological inputs into agriculture and animal husbandry, aggressively disseminate improved strains, support with service the improved strains we disseminate, encourage scientists and technicians to become deeply familiar with districts where agriculture and animal husbandry are practiced, and become deeply familiar with conditions at the grassroots level, and strive to make new progress by spreading production technology in agriculture and animal husbandry.

2. We must strengthen macroeconomic management of important agricultural, livestock, and local and special products. In order to reduce disorder in circulation, we must, in accordance with the overall spirit of streamlining and rectification, clarify the following principles regarding management of important agricultural, livestock, and local specialty products. First, unless authorization has been granted by the autonomous region's plan or by an organ of industrial or commercial management, no unit or individual from outside Tibet shall be permitted to purchase such important agricultural, livestock, and local specialty products as grain, rapeseed, sheep's wool, cashmere, cowhide [niu rong 3662 4823], sheepskin, goatskin, leather, musk, Chinese caterpillar fungus, or fritillary bulbs. Second, when anyone from outside the region purchases any of these 11 important agricultural, livestock and local specialty products, they shall rely primarily on grassroots supply and marketing cooperatives and on county-level trade companies. Any products purchased must be distributed according to the plan. Third, in order to preserve the enthusiasm of the masses for production, purchases within the region of the 11 important agricultural, livestock, and local specialty products listed above will still be carried out using discussion. We must do our consultative purchase work well, basing ourselves upon the willingness of the people to participate in this transaction protocol, and we must do our best to obtain as much as possible in any consultative purchase.

C. We must strengthen management of important materials. Because the requisite macroeconomic management of the production and operation of some important industrial products is lacking, disorder has occurred. This has made it difficult to bring fully into play our advantageous situation with respect to natural resources, and it has affected local government revenues. It has also given lawbreakers opportunities for speculation. Therefore, beginning this year, we must strengthen management of the following important materials:

1. Lumber. In order to strengthen management of lumber, we must do several things: First, we must continue to carry out compulsory planning with respect to production and marketing, which shall be handed down by the autonomous region's planning departments. All producing enterprises must organize production in accordance with the plan and any relevant governmental regulations. Second, we must rescind the authority of enterprises to market for themselves. Sole responsibility for this will be assumed by the autonomous region's materials departments, and no other unit or individual shall have the authority to perform this function. After self-marketing is rescinded, we shall use profits from lumber exports to compensate enterprises which suffer any loss of income. Third, lumber exports must be subject to the plan handed down by autonomous region planning departments. Materials departments shall be responsible for carrying out such transactions, and before lumber is shipped out of the country, a forestry department must issue a shipping permit, and a materials department must issue an order for allocation and transfer.

2. Mining products. We must do several things to strengthen management of chromium ore, boron and magnesium ore, and borax. First, production and marketing must be subject to a compulsory plan handed down by the autonomous region's planning departments, and all enterprises must strictly abide by this plan. Second, we must strengthen production management. We must earnestly adhere to the regulations in government document (88) No 10, and strictly exercise the quality control system for production enterprises. No unit or individual shall engage in mining without undergoing inspection and approval. Enterprise production must adhere strictly to relevant policies and regulations, and violators must be dealt with in a solemn manner. Third, we must operate a monopoly in the marketing phase. Mining product marketing companies that are already established shall handle exports of mining products for the whole region in a unified manner and in accordance with the plan handed down by the autonomous region's planning departments. These companies must be independent with respect to financial affairs, and the Department of Finance must be solely responsible for the company's accounting. Fourth, the autonomous region's planning departments must issue shipping permits when mining products are to be shipped out of the country. Fifth, we must take a certain percentage out of profits and use them to develop Tibet's mining industry.

Exploitation of gold must be carried out in strict accordance with relevant state regulations.

3. We must grant a monopoly to the materials departments for marketing steel, nonferrous metals, scrap metal, junk machinery, electrical appliances, and scrap chemical products. We must grant a monopoly for marketing such agriculture materials as chemical fertilizers, herbicides and pesticides, and plastic sheeting to agriculture materials departments. No other unit or individual shall be permitted to be engaged in the marketing of these materials.

4. We must strengthen planned management of foreign exchange. In accordance with the principle that we must aggressively increase foreign exchange earnings and make rational and effective use of foreign exchange, beginning this year, as we strengthen the planned management of foreign exchange, we will adopt the following three measures:

a) Following the spirit of the declaration by the State Planning Commission that "foreign exchange revenues and expenditures throughout society should all be subject to management within the state plan," all foreign exchange revenues and expenditures in Tibet will be subject to management within the plan. All units that have foreign exchange revenues and expenditures must prepare a foreign exchange revenues and expenditures plan. The autonomous region economic planning commission will receive these plans, balance them, and hand down directives which are to be followed the various units.

b) We must do a good job of adding to the value of our foreign exchange. We must take part of the government's foreign exchange, concentrate foreign exchange that is scattered about society, and coordinate with foreign exchange-earning enterprises to carry out foreign exchange inputs by taking advantage of lateral economic ties and channels. We must do this in order to expand foreign exchange receipts and increase Tibet's foreign exchange income.

c) We must gradually perfect the region's foreign exchange market and launch activities to regulate foreign exchange. All foreign exchange regulatory activities must take place in open trading in specified markets. We must formulate a plan that will guide the flow of foreign exchange, as well as corresponding measures, so as to ensure that top priority will be given to providing the foreign exchange needed for Tibet's plan or policies.

5. We must strengthen planning and management of electrical power and transportation production. Energy resources and transportation are important factors that limit Tibet's economic development. Conflicts between supply and demand for power are currently very pronounced. This has directly affected production and construction in the region, as well as the daily lives of the masses. Because of the lack of necessary planning and management, normal coordination of transportation has not been possible. An abnormal situation arose once last

year when transportation demand exceeded capability. In order to provide a better solution to these problems, we will begin this year to carry out compulsory planning of power production and supply. Departments in charge, every locality and city, and every production unit, must earnestly adhere to the plan. With respect to users, we must also adhere strictly to the plan in carrying out supply of a fixed amount. We will carry out mandatory planning of materials entering or redistributed in Tibet. The plan will be carried out by the relevant departments and areas. Both parties to any contractor-contractee relationship must sign effective contracts, and earnestly abide by the stipulations in the contracts. We must see that transportation production meets the needs of production and construction in Tibet, as well as the people's daily needs.

6. We must strengthen management of capital construction. It is an important task now to do this work well. First, we must strengthen management of investment in the entire society's capital construction. We must earnestly begin to manage those capital construction projects that ought to be subject to management within the plan. In the future, no matter what the source of the funds, all investments by state-run and collectively run enterprises will be subject to annual planning as long as they are intended for capital construction. The building materials used by private individuals for housing construction must also be subject to state planning. Second, we must resolutely control the scale of capital construction, and limit nonproductive investment. During this year and next, the autonomous region, localities, and municipalities shall not build any office buildings, residences for leading cadres, guesthouses, hotels, or tourist hotels. Other nonproductive construction projects must be rigorously controlled. Third, we must strengthen on-site management of construction projects. We must promote the use of competitive bidding for construction projects, strengthen management of construction troops, strictly prohibit the subcontracting of projects, and do a good job of quality control.

7. We must rigorously control price hikes and ensure that this year's price index will be significantly lower than last year's.

First, we must resolutely stabilize prices for basic necessities of the masses. We must earnestly carry out the spirit of document (1988) No 67 (issued by the State Council) and document (1988) No 5 (issued by the people's government of the autonomous region of Tibet). There shall be no price changes for any of the grains or oils that are supplied to urban residents. We must maintain basic stability of "market basket" prices. We must exercise the strictest control over prices of main staples that are supplied to urban residents. Price departments and industrial and commercial management departments must strengthen management and guidance of agricultural trade markets. We must rigorously control indiscriminate price hikes and camouflaged price hikes.

Second, we must carry out an appropriate centralization of management authority. When any level of government or any department in the autonomous region requests that the price of a certain product be raised, the price shall not be raised without the approval of the people's government of the autonomous region. With respect to the very small minority of irrational cost dispersal, it must be carried out in a planned, orderly manner, and it cannot be carried out until it has been registered with the price departments of the autonomous region, and has been approved by them.

Third, we must rectify market prices, and abolish oppression by middlemen. Price departments must formulate rational purchase-to-sale price differentials, regional price differentials, and wholesale-to-retail price differentials, and these differentials must be publicly announced. Retail stores must follow new regulations by [?clearly showing prices on a three-colored price tag?]. We must strictly investigate and vigorously attack indiscriminate price hikes, camouflaged price hikes, hoarding, and market-cornering activities, as well as official speculation and private speculation.

Fourth, we must make great efforts to increase effective supply. 1) Relevant departments must continue to seek support from our fellow provinces and municipalities, and get them to supply us with more of the commodities that Tibet needs. 2) We must take full advantage of the superior products from Tibet, and use them to trade for some products that are in short supply on the market. 3) We must organize those superior-quality durable goods that are imported, market them, soak up money in circulation, and control prices. 4) We must strive to increase production of such nonstaples as grains, vegetables, meat, butter, and eggs, in order to increase market supply, relieve imbalances between supply and demand, and stabilize market prices.

8. We must deepen enterprise reform, strengthen management, and raise economic efficiency. Several things are required if we are to do a good job this year with production in industry and transportation. First, we must continue to promote and perfect the contract responsibility system and the factory head (manager) responsibility system; incorporate the competition mechanism; strengthen enterprise management, excel in labor force realignment; rectify labor order; and truly bring into play the enthusiasm of the great majority of workers. Second, we must thoroughly carry through on the "double increase, double economize" activities, strive to extract the potential of enterprises, vigorously lower costs, reduce consumption of energy resources and raw materials, raise economic efficiency, increase fiscal revenue, eliminate losses and increase profits, and make the total of this year's losses significantly lower than last year's. Third, we must strengthen the distribution and coordination of production, regularly analyze the progress of industrial and transportation production, as well as the degree of economic efficiency being attained,

do a good job of balancing and dovetailing daily production and transportation, guarantee immediate coordination when major production problems arise, achieve full consultation, and see that orders are carried out and prohibitions are observed. Fourth, we must improve production safety, strengthen safety management, establish a sound system of responsibility for safety (production safety is needed particularly in power plants and transportation), strive to end accidents, and reduce waste.

9. We must vigorously promote lateral economic ties and coordination. Planning departments at every level must put it on their agenda to do a good job of this. They must adopt strong measures and concessionary policies, vigorously promote linking and coordination among districts and enterprises, strive to bring in advanced technology and all kinds of talent, and raise the level of management of business operations and production. We must fully utilize Tibet's high-quality products and develop linked processing industries in order to trade for scarce materials to meet the needs of the region's construction as well as the people's daily necessities. We must do all we can to increase the value of funds and increase local fiscal revenue. The government at all levels must strengthen leadership in these areas. The autonomous region's relevant departments and every district must earnestly formulate and implement programs for lateral links and coordination, and list important projects and production material as part of the planned management; and coordination departments must coordinate the big problems that arise in the process of economic coordination in order to meet the macroeconomic development needs of the entire region. We must accelerate the pace of this work and promote Tibet's economic development by strengthening leadership of economic links and coordination.

And so, delegates, Tibet's 1989 plan has set before us much work and arduous duties. As long as we carry out and implement the spirit of the 4th Plenary Session of the 13th CPC Central Committee and the Second Session of the Seventh National People's Congress, unify viewpoints, unify thought, unify actions, take the interests of the whole into account, see that orders are followed and prohibitions are observed, do a good job of streamlining the economic environment and rectifying economic order, and continue to deepen reforms, then, under the leadership of the autonomous region's party committee and the people's government, the 1989 plan can certainly be fulfilled and over-fulfilled.

Tibet People's Congress Standing Committee Presents Work Report

90ON0098A Lhasa XIZANG RIBAO in Chinese
14 Aug 89 pp 1, 3

[Speech by Pagbalha Geleg Namgyai (1584 1572 2139 2706 0441 2597 2638), deputy director, Standing Committee, Autonomous Region People's Congress: "Tibet

Autonomous Region People's Congress, Standing Committee Work Report; Presented at the Second Session of the Fifth People's Congress of the Autonomous Region, 2 August 1989"]

[Text] Delegates:

At the request of the Standing Committee of the autonomous region People's Congress and its chairman, Ngapoi Ngawang Jigme [7093 3099 7093 2489 2516 5019], I have come here to report to the congress on the work of the Standing Committee since the first session of the fifth People's Congress.

In the last year, under the leadership of the autonomous region party committee, the autonomous region People's Congress Standing Committee has followed the directives and the spirit of the Central Committee. With one hand we have resolutely grasped economic development, reform, and opening up. With the other hand we have grasped the tasks of stabilizing conditions and combating separatist struggles. We have earnestly carried out the duties conferred upon us by the Constitution and the law. We have improved our work and strengthened the development of the socialist democratic and legal systems. This work has played an active role in preserving the integrity of the fatherland and unity of all ethnic groups, stabilizing conditions in Tibet, and promoting economic development in Tibet.

I. Resolutely Carry Out the Spirit of the 4th Plenary Session of the Central Committee, Oppose Separatism, Preserve the Integrity of the Fatherland

A decisive victory has been achieved in putting down the counterrevolutionary rebellion in Beijing. Under these conditions, the Central Committee called the 4th Plenary Session of the 13th CPC Central Committee. Under the unified direction of the autonomous region party committee, the Standing Committee has earnestly studied the documents from the 4th Plenary Session of the Central Committee, as well as the important speech by Comrade Deng Xiaoping. We express unanimously our determination to defend every decision taken by the 4th Plenary Session, the new leadership cooperative of the Central Committee with General Secretary Jiang at its core, and completely defend the three important speeches by Comrade Deng Xiaoping and the speech by Comrade Jiang Zemin. We also completely defend the report which comrade Li Peng delivered on behalf of the Politburo to the 4th Plenary Session, which stated the mistakes committed by comrade Zhao Ziyang during the antiparty, antisocialism unrest.

As a result of the study, everyone learned further about a very small minority of people with ulterior motives who used the student movement to instigate planned, organized, and prearranged political unrest in Beijing and some other places. In Beijing this developed into a counterrevolutionary rebellion. The motive for instigating unrest and rebellion was to overthrow the leadership of the Chinese Communist Party, subvert the socialist People's Republic of China, and establish a

bourgeois republic. This was a grave political struggle which had consequences for our socialist system. It was independent of man's will. It was the undesirable outcome of rampant bourgeois liberalization. It was a classic manifestation of the existence and sharpening of class struggle. During this struggle, the important policies and measures adopted by the Central Committee were necessary and correct, and were completely representative of the fundamental interests and common desires of the entire party, the entire army, and the people of every ethnic group throughout the entire nation. In quelling the counterrevolutionary rebellion in Beijing, the older generation of proletarian revolutionaries, represented by Comrade Deng Xiaoping, played a key role. The People's Liberation Army (PLA), military police, and security forces delivered a huge contribution. Everyone feels that the important speech by Comrade Deng Xiaoping served as an ideological weapon in thoroughly quelling the counterrevolutionary rebellion in the capital and in stabilizing the situation throughout the country, and that it played an extremely significant role in unifying people's thought throughout the country. The speech trenchantly expounded on the correctness of the line, programs, and policies that our party has formulated since the 3d Plenary Session of the 11th CPC Central Committee. It reiterated the magnificent goals and development strategy of modernization. It reiterated the "one center and two fundamental points" that the party adopted during the 13th National People's Congress (NPC). This will play an extremely important guiding role with regard to China's future reform and development. This Plenary Session resolved several urgent problems. It stabilized the situation throughout the country, consolidated the leadership of the party, and preserved the party's unity as well as unity between the party and the people. It also resolved a major problem by enabling us to continue forward with the line that has been followed since the 3d Plenary Session of the 11th CPC Central Committee. It was an extremely important meeting with far-reaching significance for the party's historical development. We firmly believe that the organs of central leadership, following adjustments by the 4th Plenary Session of the 13th CPC Central Committee (which is the party's resolute leadership collective and the nucleus of the close unity of the entire party and the entire nation), can certainly guarantee the continuity and stability of the program and policies that the party has been pursuing since the 3d Plenary Session of the 11th Central Committee. We firmly believe that they can thoroughly uphold the four basic principles upon which the nation was founded, and that they can unflinchingly follow the road of reform and opening up, and make the nation strong. We must resolutely carry out the spirit of the 4th Plenary Session of the 13th CPC Central Committee, fully bring into play the role of local and state organs, and make a contribution toward stabilizing the national situation as well as that of Tibet.

Last March, a small number of separatists created serious turmoil in Lhasa. They trumpeted the cause of "Tibet independence" with reckless abandon; wildly

engaged in "beating, destroying, looting, burning, and killing"; seriously disrupted normal production, working order, and social order; and caused enormous loss of life and property to the state and the people. This was the worst outbreak of unrest in the last 2 years of turmoil. In order to preserve the integrity of the fatherland and the unity of various ethnic groups, to preserve social order, and to guarantee safety of life and property for the people, the State Council, in accordance with the Constitution of the People's Republic of China, declared martial law in Lhasa in a timely manner. The martial law is being implemented by the autonomous region people's government. The implementation of martial law has accomplished several things: It struck a blow against the criminal activities of a small group of separatist elements who have been plotting to divide the fatherland, protected the fundamental interests of the people of every ethnic group, and stabilized the situation in Tibet. Production, daily life, education, and social order are gradually returning to normal, and they have received overwhelming support and approval from the broad masses of the people.

The Standing Committee has always felt that our struggle with separatists at home and abroad is a grave political struggle. It completely constitutes a struggle against enemy forces. It has a bearing on the integrity of the fatherland and on the fundamental interests of the people of the entire nation, including the people of Tibet. With regard to this fundamental issue, we must fly our flag high, and we cannot be unclear on any point. The turmoil in Lhasa was not an issue of ethnicity, religion, or human rights. It was a case of collaboration between a small group of separatists at home and abroad. With the support of certain enemy forces, they deliberately planned and instigated criminal activities aimed at dividing the fatherland. This type of separatism is something that no regime would countenance. Now, there are people abroad who twist Tibet's history and reality. They have crudely interfered in China's internal affairs, which must inevitably cause resolute opposition and intense indignation on the part of all people in the nation, including the various ethnic groups in Tibet. As everyone knows, the Autonomous Region of Tibet is an inseparable part of the territory of the People's Republic of China. No one can deny this. There can be no independence for Tibet, no semi-independence, nor independence in disguise. The various ethnic groups of the entire nation cannot countenance the wild attempts of a small group of separatists, who rely on the support of foreign powers to foment unrest in Tibet, thereby splitting it off from the rest of the fatherland. They will never achieve their designs.

Currently, the situation in Tibet is relatively stable. Work on all fronts is proceeding methodically according to the directives of the Central Committee. However, we must clearly recognize that some lawbreakers, particularly separatist powers both at home and abroad, have not given up. They are still increasing their activities,

and they are groping wildly for an opportunity to create an incident and stir up new separatist activities and turmoil.

Stability in Tibet is a prerequisite for doing a good job on all fronts in the region, and it is something that we must contribute in order to enhance the stability of the entire nation. Currently, we must, with the encouragement of the spirit of the 4th Plenary Session of the 13th CPC Central Committee, fully bring into play organs at every level of the regime. We must continue to resolutely preserve a broad united front, unite all the forces that can be united, and unflinchingly preserve the integrity of the fatherland. We must carry out a resolute struggle against the extremely small number of separatist elements until we achieve a thorough victory. Our strength lies with the people. The key to stabilizing the situation is to do good work with the masses. We must carry out patriotic education of the great masses of cadres and people; its main content should be concerned with preserving the integrity of the fatherland and strengthening the unity of different ethnic groups. We must carry out socialist education, aimed mainly at upholding the four basic principles and opposing bourgeois liberalization. We must make cadres and the people truly realize that opposing separatism is the common duty of the people of all ethnic groups. Every citizen must, of his own accord, defend the integrity of the fatherland and strengthen the unity of the various ethnic groups. Tibet can only achieve a bright future by taking the socialist road under the leadership of the Chinese Communist Party. Only in the big socialist family can Tibet achieve continuous development and progress and move toward prosperity. We must unflinchingly continue to carry out the program of grasping firmly in one hand the task of developing the economy and deepening reform, while grasping firmly in the other hand the task of stabilizing the situation and struggling against separatism. We must fully recognize the long-term nature of the struggle between separatism and antiseperatism, as well as its complexity. We must continue to oppose turmoil and stabilize the situation in order to promote Tibet's long-term, stable development.

II. Carry Out Duties of Office in Accordance With the Law; Aggressively Launch Into and Improve the Work of the People's Congress

The current People's Congress Standing Committee, building on the work of the previous Standing Committee, upholds the "one center and two fundamental points." It takes as its main duty the task of guaranteeing and promoting reform and opening up. It has taken as the focus of its work the task of strengthening the socialist democratic and legal systems.

1. Meet the Needs of Development and Reform; Set About the Task of Legislative Work in a Planned Manner

The continual deepening of economic and political reforms poses new and greater demands on the development of Tibet's legal system. Strengthening legislative

work, particularly economic legislation, is an arduous duty of the current People's Congress Standing Committee. It is necessary to formulate a realistic and feasible plan in order to carry out Tibet's legislative work in a planned, orderly manner. The Standing Committee has undertaken thorough research, called many meetings, and repeatedly sought the opinions of relevant parties. Building upon this, it has made a legislative assessment and formulated the "5-Year Plan for the Formulation of Local Laws in the Tibet Autonomous Region." According to the plan, 34 local laws will be formulated during the term of the current People's Congress. Of these, nine will deal with the political system, 20 with the economic system, four with culture, and one with civilian affairs. Four of the laws will be drafted by the Standing Committee, the "one government and two councils" will draft 26, and the Lhasa municipality will draft four. In order to bring about completion of the legislative work, the Standing Committee, based upon the requirements of "assigning leadership responsibility, assigning drafting work to a certain group, and specifying a date by which the draft must be finished," has taken concrete steps to arrange the drafting work for every law. The Standing Committee has also strengthened its leadership, investigative, and oversight work.

The People's Congress has formulated, promulgated, or drafted a total of three laws this year.

It is a longstanding program of the party and a fundamental principle of socialist enterprise management to bolster protection of laborers and provide good production safety and cultured production. In order to strengthen work in this area, protect the physical safety and health of the great masses of workers, and preserve the security of state property, the third session of the Standing Committee formulated and promulgated the "Tibet Autonomous Region Temporary Worker Safety Regulations."

The commitment of appointments and removals to a system and to law will serve to guarantee that the Standing Committee carries out work in this area according to the law. On 15 February 1983, the 10th Standing Committee session of the fourth People's Congress formulated the "Temporary Personnel Appointment and Removal Methods for the People's Congress Standing Committee of the Tibet Autonomous Region." In accordance with the revised local organization laws and years of experience in personnel removals and impeachments, the fourth session of the Standing Committee reformulated and promulgated the "Personnel Appointment and Removal Methods for the Tibet Autonomous Region People's Congress Standing Committee."

In order to strengthen the implementation of a systematic and legal structure for the work of the autonomous region People's Congress, and to guarantee that the autonomous region People's Congress will carry out its work according to democratically and legally determined procedures, the Standing Committee carried out work

last year to draft the "Rules of Procedure for the Tibet Autonomous Region People's Congress." After the first draft was completed, they searched widely for opinions and carried out repeated revisions. The fifth session of the Standing Committee reviewed the bill and decided to pass it to this congress for consideration.

Collecting opinions about bills being considered by the state is one way of participating in state legislation and state management. In the last year, responding to the demand of the Standing Committee of the National People's Congress (NPC), the Standing Committee has in succession organized delegates from the People's Congress, relevant committee, legal workers, and the persons who actually carry out the work, to discuss seven bills and amendments, including provisions on administrative lawsuits and the rules of procedure for the NPC. The Standing Committee collected these opinions regarding amendments and submitted them to its superiors in a timely manner.

2. Take Streamlining and Rectification as the Focus, Strive To Do a Good Job of Oversight Work

In order to guarantee that the program adopted in the 3d Plenary Session of the 13th CPC Central Committee (which calls for streamlining of the economic environment, rectification of economic order, and across-the-board deepening of reform) would be thoroughly carried out, the third session of the Standing Committee listened to the "Progress Report on Streamlining the Economic Environment and Rectifying Economic Order" which was made by Mao Rubai [3029 1172 2672], deputy chairman of the autonomous region people's government. The committee members feel that the autonomous region people's government has firmly grasped the tasks of streamlining and rectification. The members also feel that the government has acted quickly, taken measures, and achieved results. At the same time, the committee members have pointed out that our task of streamlining and rectification is still quite arduous, and that we must further grasp the key issues. We must grasp these tasks relentlessly, in a planned and orderly manner. Streamlining and rectification ought to solve such problems as excess nonproductive construction, the dearth of productive construction, and the lack of coordination in reforms and management. The committee members also gave some suggestions and opinions regarding fiscal affairs, taxes, large-scale price investigations, keeping strict account of capital construction projects, taking inventory and rectifying companies, rectifying the circulation order of important products and materials earmarked for unified distribution, and investigations into credit, cash, and foreign exchange. The members emphasized that cases involving people who have upset economic order or engaged in economic crime must be investigated one at a time and dealt with according to the law.

In order to promote the development of agricultural production in Tibet, the third session of the Standing

Committee listened to a report on the production situation in agriculture and animal husbandry which was prepared by the autonomous region commission for agriculture, animal husbandry, and forestry at the request of the people's government of the autonomous region. The committee members feel that a clear change has occurred in the situation in all areas where agriculture and animal husbandry are practiced, and that production in agriculture and animal husbandry has shown new signs of life since Tibet began to carry out the special economic policies formulated by the central leadership for Tibet. However, for various reasons, development of agriculture and animal husbandry in Tibet has been slow. In particular, grain production has gone up and down for a long time, and fluctuations have been relatively serious. In order to develop agriculture and animal husbandry, we must rely on policies, rely on science and technology, and rely on increased inputs. We must respond to the need to deal with each problem in a manner appropriate to local conditions, and we must aggressively support agriculture and animal husbandry. We must guarantee and promote the steady development of agriculture and animal husbandry.

In order to guarantee thorough implementation of the Constitution, laws, and regulations, promote the "one government and two councils," and improve work, the Standing Committee has strengthened its oversight of laws and work. The second session of the Standing Committee listened to a work report by the People's Procuratorate of the autonomous region. They also formed a study team which listened to reports by the autonomous region People's Procuratorate, the Commission for Agriculture, Animal Husbandry, and Forestry, the Commission for Education and Science, the Commission for Economic Planning, the Bureau of Commerce, and the Fiscal Affairs Bureau on the following subjects: striking a blow against economic crime; production in agriculture, animal husbandry, and forestry; secondary and elementary education; the plan for social and economic development; the circulation and management of important commodities; implementation of the budget; management and auditing of markets, prices, and taxes; and the keeping of statistics for markets, prices, and taxes. Committee members also offered suggestions and opinions. Some of the vice chairmen and members of the Standing Committee led a work team to six prefectures, including Ali and Changdu. They visited most of the counties in these prefectures. They visited the villages, government organs, troops, and schools. They studied various situations, including the production activities and daily lives of peasants and herders; the protection of forestry resources; the protection of plant life, animal life, and mineral resources; culture, education, and health; transportation; commerce and trade; ethnic religions; social order; military-civilian relations; development of grassroots political authority and border defense development; and the work of the People's Congress. The Standing Committee received and dealt

with appeals and opinions of the masses regarding the "one government and two councils" and individual workers.

3. Abide Strictly by the Law in Handling Affairs, Earnestly Carry Out Duties of Removal and Impeachment

Since the first session of the fifth People's Congress of the autonomous region, the Standing Committee has strengthened personnel appointment and removal work. In response to a request by the chairman of the autonomous region people's government, the head of the autonomous region Higher People's Court, the chief procurator of the autonomous region People's Procuratorate, and the director of the Standing Committee of the autonomous region People's Congress, the Standing Committee appointed or removed 128 workers in organs of the national government. The Standing Committee earnestly listened to reports about the situations of the 128 workers for whom appointment or removal had been requested. The Standing Committee made sure to fulfill the duties of its office. In examining the individuals and deciding how to deal with them, the Standing Committee adhered to the standards of the "four modernizations." The Standing Committee fully demonstrated democracy, earnestly carried out the examinations, and abided by the law and regulations. They appointed those who merited such and removed them when it was appropriate. Those who were not qualified to be appointed were not appointed. In order to demonstrate the solemnity of the law, and to demonstrate the trust that the state and the people place in the appointees, the Standing Committee issued certificates of removal to the appointees.

Appointing and removing workers for state organs in accordance with legal regulations and procedures is an important guarantee that the Standing Committee will carry out its duties to appoint and remove. In order to abide strictly by the law in handling affairs, the Standing Committee has corrected in a timely manner certain phenomena which have surfaced in some units in connection with the appointment of certain individuals which have not been in line with legal regulations and procedures. In so doing, the Standing Committee has raised the quality of work in the area of personnel appointments and removals.

4. Establish Closer Links With People's Congress Delegates and City and County Standing Committees; Place Importance on Bringing Into Play District Liaison Offices of the People's Congress

The current People's Congress Standing Committee has strengthened and improved links to People's Congress delegates and city and county Standing Committees. During the first session of the fifth People's Congress of the autonomous region, delegates proposed 10 motions and 304 suggestions, criticisms, and opinions. Basing itself on the spirit of living up to responsibilities toward the people's delegates, the Standing Committee has strengthened its oversight of sponsoring units. When

they handed down work assignments, the general office of the Standing Committee and the general office of the people's government of the autonomous region jointly convened a meeting attended by all the sponsoring units and their responsible persons. During this meeting, the two general offices presented the work units with specific requests. The majority of the work units handled these motions, suggestions, criticisms, and opinions in a relatively earnest and timely manner, and they responded directly to the delegates. There were also some units whose response to the suggestions of the delegates was not sufficiently positive or earnest.

In order to fully play their role, the delegates went down to the grassroots units and to districts where agriculture and animal husbandry are practiced to listen to the opinions and demands of the electorate, and relay the hopes of the people to their superiors. In accordance with the spirit of the general office of the National People's Congress Standing Committee, which calls for improved study and observation methods by the delegates, the autonomous region People's Congress Standing Committee has drawn lessons from concrete experience and improved the delegates' study and observation methods. They organized the delegates to study and observe issues connected with the stabilization of the situation, economic development, and problems of concern to all the people. They provided positive opinions and suggestions to every level of the People's Congress and the government. The Standing Committee used letters, visits to delegates, and informal discussions to forge closer links to the delegates. When they receive letters from the delegates, the members answer some of them personally and turn some of them over to the relevant departments for handling. Still others are edited and compiled into topical or general "letters from the delegates" briefings that are relayed to the relevant leaders or departments.

The autonomous region People's Congress Standing Committee has strengthened its working links to city and county-level Standing Committees, and shares experiences with them. This is beneficial to the work of the People's Congress. The Standing Committee and the autonomous region party school held two advanced training sessions with two primary purposes: to study the theory and law of the beginning stages of socialism, and to increase knowledge about the work of the People's Congress. One session was held late last year, the other was held last June, and they were attended by county-level leading cadres of the People's Congress. A total of 180 people received training. At the same time, informal discussions were held, and the Standing Committee heard their opinions regarding how to strengthen the work of the People's Congress. As members of the Standing Committee carried out their study and observation in various localities, they placed high priority on understanding local progress in the work of the People's Congress. They did all they could to help solve existing problems. The Standing Committee also sent people to participate in some city, county, and prefecture-level

People's Congress meetings or People's Congress work meetings. The Standing Committee also formed work teams to provide guidance to some meetings of county-level People's Congress Standing Committees. By strengthening links to city and county-level People's Congress Standing Committees, communication was opened up, work was advanced, and the exercise of the role of local and state leadership organs was promoted.

Placing importance on bringing prefectural People's Congress liaison offices into play is an important aspect in the effort to do a good job with the work of the autonomous region People's Congress. The prefectural People's Congress liaison offices play an important role in helping the autonomous region People's Congress Standing Committee forge close ties to the people's delegates and the various county-level People's Congress Standing Committees. They also play a significant role in advancing the work of Tibet's People's Congress. The various prefectural People's Congress liaison offices have done large amounts of work under difficult conditions. The People's Congress liaison offices in Naqu and Nanshan Prefectures, under the leadership of the local party committees, and with the support of the regional administrative offices, have drawn lessons from actual experience and gone aggressively about their work. They have advanced the work of the People's Congress in the various counties through such measures as convening informal discussions of the directors of the various county-level People's Congress Standing Committees, as well as People's Congress work conferences.

5. Strive To Do a Good Job of Developing Our Own System; Continually Improve the Work of the People's Congress

In order to enhance the planned nature of the Standing Committee's work and benefit the systemization of the work of the People's Congress Standing Committee, the second session of the Standing Committee formulated the key work objective of the current People's Congress Standing Committee. This objective was arrived at under the guidance of the theory of the beginning stages of socialism, and it upholds the "one center and two fundamental points." The Standing Committee provided a 5-year plan for legislative and oversight work.

In order to make the work of the Standing Committee become more systematic and orderly, it has drawn lessons from the experience of the previous Standing Committee and improved the system for some types of work. The Standing Committee has implemented a system that combines collective leadership and a division of responsibilities among various directors. The Standing Committee has also revised the systems for conferences, personal responsibility, inspections of work attendance and proficiency, and information processing. They have raised work efficiency. The Standing Committee has strengthened the dedication and sense of responsibility of cadres, increased knowledge, and further raised the quality of cadres' thought and job performance by organizing government organ workers to study

political theory, Tibetan language, and job-related subjects, and by sending people several times to participate in exchanges of experience and job training at the national level that are related to the work of the People's Congress.

The Standing Committee has also aggressively set about foreign affairs activities. In accordance with the program that calls for enthusiasm and friendliness, and in order to do extra work, the Standing Committee has hosted a delegation from the Thai Parliament, a delegation of staffers from the U.S. House Committee on Science, Space, and Technology, a delegation from the U.S. House Armed Services Committee, and a delegation from the U.S. Senate Committee on Agriculture. The Standing Committee showed those people Tibet, and increased mutual understanding by arranging visits, interviews, and informal discussions.

Since the first session of the fifth People's Congress, the Standing Committee has achieved a certain amount of success, but it still falls short of what the law demands and the people expect. Legislative work has still not met the current development needs in Tibet. More improvement is needed. Oversight work has yet to become systemized or ordered. The system of personnel appointments and removals must rely on continued summing up of experience to achieve further improvement.

Delegates:

The 4th Plenary Session of the 13th CPC Central Committee illuminated the path that our work must take during the coming period. We must make it our number one task to study and carry out the spirit of the 4th Plenary Session, raise understanding, unify thought, unify actions, promote the stabilization of the situation in Tibet, and promote Tibet's reforms and development. The Standing Committee must continue to strengthen the development of ideology, organization, and operations; strengthen ideological and political work; carry out patriotism, socialism, and the revolutionary tradition; carry out education to inculcate respect for discipline and obedience to the law; and resolutely oppose bourgeois liberalization. We must vigorously strengthen development of the democratic and legal systems as well as clean government, punish corruption, and strengthen legislative and oversight work. We are determined, under the leadership of the party committee of the autonomous region, and with the oversight and support of the entire body of delegates and the people of every ethnic group in Tibet, to work hard, respond to the call of the 4th Plenary Session of the Central Committee, unite even more closely around the Central Committee, advance with complete confidence the cause of socialist modernization and development, and struggle fiercely to build a new, socialist Tibet that is united, prosperous, and cultured!

Please review and comment upon this report.

NORTHEAST REGION**Heilongjiang Executive Meeting Adopts Draft Regulations**

SK0511114489 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 4 Nov 89

[Text] The [Heilongjiang] provincial government held its 24th executive meeting on 4 November to discuss and adopt the draft regulations of Heilongjiang Province on developing and maintaining posts and telecommunications and the province's draft regulations on urban nationalities work, which will be submitted to the provincial People's Congress for discussion.

The provincial government's executive meeting on 4 November also discussed and adopted the Heilongjiang provincial draft regulations banning obscene articles and public security management. The participants agreed that after revision, these regulations will be promulgated for implementation in the near future.

'Pernicious' Habits Targeted by Heilongjiang Government

SK1411070089 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 13 Nov 89

[Text] Provincial Vice Governor Chen Yunlin set forth specific demands on governments at all levels throughout the province to implement the guidelines of the State Council's telephone conference, which was held this afternoon to draw up plans for carrying out a nationwide campaign to eliminate six pernicious things,

such as prostitution; visits to prostitutes; manufacturing, selling, and spreading obscene articles; abducting and selling women and children; secretly planting, taking, and selling drugs; gathering people to gamble; and using feudal and superstitious means to gain money or to harm people by cheating.

Chen Yunlin said that it is very timely and essential for the State Council to hold this telephone conference at a time when the people throughout the country and the province are conscientiously studying and implementing the guidelines of the 4th Plenary Session of the 13th CPC Central Committee. With regard to eliminating six pernicious things, our province has done some work beforehand and has held a telephone conference. The most important issue at present is to implement the conference guidelines because we need a stable social order to guarantee the rectification of the economic order. If we fail to eliminate the repulsive phenomena, it will be impossible for us to rectify the economy.

Chen Yunlin said we should firmly implement all policies, create strong momentum, and publicize the guidelines to all of the people. Principal leading comrades of government at all levels should personally take charge of this struggle to eliminate these six pernicious things. All departments should work earnestly to guarantee the smooth progress of this struggle.

Chen Yunlin said that, to eliminate the six pernicious things, we should implement the responsibility system. All departments concerned should maintain close coordination, strive to create a situation in which all people jointly attend to and carry out this work until good results are achieved.

XINHUA Cites Taiwan Editorial on 'Chaotic Situation'

OW2210090089 Beijing XINHUA Domestic Service in Chinese 1357 GMT 21 Oct 89

[Local Broadcast News Service]

[Text] Beijing, 21 Oct (XINHUA)—An editorial in TAIWAN SHIBAO [TAIWAN TIMES] not long ago warned that "everyone is worried about how long Taiwan's superficial prosperity will last."

This editorial, entitled, "When Will the Chaotic Situation in Taiwan End?" pointed out: There is chaos everywhere in Taiwan at present, including a chaotic stock market, a chaotic social order, chaotic official circles, a chaotic commercial market, a chaotic academic and ideological realm, chaotic economic development, a chaotic legal system, a chaotic political realm, and chaos in distinguishing right from wrong and good from bad and in maintaining moral standards.

The article said: Utilitarianism prevails in Taiwan. This is the main reason for the chaotic situation in which Taiwanese society finds itself. This chaotic situation impairs social values, which "provides bad people a good opportunity to emerge." For example, those in the government who lack self-respect are often promoted. In the commercial field, only those who dare to drift along aimlessly or speculate can make money and become rich. This situation affects even schools, where only those who drift along aimlessly succeed. The editorial pointed out: "Collaboration between government officials and businessmen provides a shortcut to promotion in the government and success in business. Utilitarianism and the practice of helping tyrants do evil prevail in society, while the sense of justice remains weak. Therefore, things are often turned upside down."

Taiwan's political parties are in a state of chaos. For example, when Kuomintang members run for their party's nomination for an election, they often take their own interests into consideration. When these candidates fail to gain the nomination, they immediately oppose the Kuomintang. Thus, these people use the Kuomintang for purely selfish motives and private gains.

The editorial said that, although Taiwan's economy is fairly developed, its society itself is insecure. Taiwanese civilians feel they are living in danger. Taiwan also suffers from excessive environmental pollution which has brought about a serious ecological imbalance. Another serious problem in Taiwan is the degradation of its moral and ethical standards, which impairs the quality of life of the people in Taiwan.

Taiwan's 'Flexible' Foreign Policy Criticized

OW1910012289 Beijing in Mandarin to Taiwan 0205 GMT 7 Oct 89

[From the "Rambling Talk on Current Events" program]

[Excerpt] [Passage omitted on China's diplomatic initiatives in the early 1980's and its current efforts to widen contacts with countries throughout the world] Listeners, it is noteworthy that the foreign policy pursued by China in the 1980's was a major contribution to the grand cause of reunifying the motherland. In 1979, the Chinese Government outlined its principles for the peaceful reunification of our motherland. Thanks to the efforts of all parties concerned, the Chinese and British Governments signed a joint declaration on Hong Kong in December 1984. The Chinese Government signed a similar declaration on Macao with the Portuguese Government in April 1987.

Working under the concept of "one country, two systems," China gave full consideration to the history and current situation in Hong Kong and Macao. It also took into account the disparities between the territories and itself. Accordingly, it has decided to maintain the capitalist system in the two territories in order to ensure their continued prosperity, stability, and development after it resumes sovereignty over them in 1997 and 1999, respectively. The economic interests of Britain, Portugal, and other countries in Hong Kong and Macao will be protected. This policy is realistic and reasonable, because it is based on the fundamental interests of the Chinese people, including the compatriots in Hong Kong and Macao. It also takes into consideration the interests of various political parties.

Listeners, the signing of the two declarations is a great step toward the reunification of the motherland. It has opened broad prospects for increased cooperation between China and Britain. It has also increased the possibility for greater cooperation between China and Portugal. The joint declarations are significant to the maintenance of peace in the world and in Asia. In order to promote the peaceful reunification of Taiwan and the mainland and ward off external interference and obstruction, China has kept to a consistent foreign policy. Under this policy, China has adamantly fought all global attempts to interfere in its internal affairs and to advocate the concept of "two Chinas" or "one China, one Taiwan."

The Taiwan authorities have recently intensified efforts to pursue their so-called flexible foreign policy. The Chinese Government has sharply criticized the policy as an attempt to create "two Chinas" or "one China, one Taiwan" by relying on external forces and setting political conditions through economic and trade relations. By adhering to its principles and refusing to compromise, China has forestalled the dual recognition [of China and Taiwan] by foreign countries. [Passage omitted on the prospect of China playing an increasingly important role in world affairs through its independent and peaceful foreign policy, reform, and opening to the outside world]

DPP Chairman Discusses Party Split, Election Strategy

90ON0082A Hong Kong PAI HSING [THE PEOPLE]
in Chinese No 200, 16 Sep 89 pp 33-36

[Text of 25 August interview with Huang Hsin-chieh, chairman of Taiwan's Democratic Progressive Party, in Wyoming, by correspondent Lu K'eng (7120 6972)]

[Text] [Lu] Chairman Huang, today I'd like to talk to you about the Democratic Progressive Party [DPP]. In the winter of 1987, at the New Jersey home of Mr Ma, a Taiwanese friend, "old" K'ang [Ning-hsiang 1660 1337 4382], Mr Fei Hsi-p'ing [6316 1585 1627], and I had an all-night talk. At the time, they were puzzling over how the DPP could be united. They were almost unanimous that, because you had emerged to become chairman, the DPP might be able to avoid a split. You've been leading the DPP for one term now, and the contradictions between the New Tide faction and the Formosa faction have not only not been resolved, they're getting worse all the time. The impression one gets from the media is that the New Tide faction always seems to be ready to attack and that the Formosa faction by contrast seems to be on the defensive. How much of a negative influence will this kind of antagonism have on the development of your party?

[Huang] I have to begin back when I was in the Legislative Yuan. At that time I was isolated and on my own. Although I did receive the support of such people of vision as Mr Fei Hsi-p'ing, I still could not accomplish very much. I then realized that it would be necessary to slowly unify the forces opposing the present regime. We therefore founded the magazine MEILI TAO [FORMOSA] so that it could become the banner of the opposition movement. To run it, we merely had to have 500 or more individual subscribers in each county and city to set up a branch office there. It would be the same as a political party organization, and it developed very fast. It later sold 150,000 copies each month. Each branch office did quite well. They not only didn't lose money, they even made money. This way we could make use of the branch offices to develop the opposition movement in all directions. To stop our development, the KMT [Kuomintang] used the Kaohsiung incident to throw us all in jail.

Naturally, when you're in jail you're not likely to be in a good frame of mind. We were going to be executed and all our property confiscated. When our families came to visit, they couldn't even say, "Take care of yourself" to us. We were all going to be executed. What was there to take care of? What we were concerned about at the time was not our individual selves or our families. It was the blow that the movement had suffered. We didn't know if it would delay the movement for 10 or 20 years before it could again gather strength. We worried about how to cope with KMT persecution.

Since the KMT had thrown us in jail and was going to bring us to trial, why couldn't we mobilize the populace

to bring the KMT to trial? We therefore called on all the family members of all those arrested to take a stand and participate in elections, letting the populace pass public judgment. The result was that all our family members did turn out, were all elected, and did place the KMT in position to be tried. The wives of Chang Chun-hung [1728 0193 1347], Yao Chia-wen [1202 0857 2429], Lin I-hsiung [2651 5030 7160], Lin Hung-hsuan [2651 1738 1357], and Kao Chun-ming [7559 0193 2494], and my younger brother all won. Whether or not they were elected was secondary. What we wanted was to make it hot for the KMT. At the same time, we also wanted to show who was right and who was wrong. If we really had engaged in "rebellion" and "threatened the country," the people would have been disgusted with us. How could it be that they supported us?

In the past, when sentences for Taiwan political prisoners were announced, it was like dropping a chicken in the water. Relatives, friends, and even neighbors scorned them. We had to let everyone see what the fate of those who opposed the KMT was like. Thus, through the election victories of the Formosa family members, everyone felt that political prisoners definitely were not disgraced people. They were actually people of honor. In this way, people were no longer afraid. The entire opposition movement rose up. Thus, one group after another rising up gave impetus to the establishment of the DPP.

We were still in jail when the DPP was established. People in the Formosa faction had incomes from their public positions as Legislative Yuan members, National Assembly representatives, and provincial and municipal legislators. However, most young people didn't have anything, and they were resentful. As a result, they published the magazine HSIN CH'AO LIU [NEW TIDE] criticizing those who held public office, saying that we were where we were because of the high price they had paid. From this a small faction composed mainly of young people rose up. Verbally, this group stressed morality and idealism, and they criticized others for not having these values. In fact, their behavior proved that they were completely lacking in political morality. For example, they didn't criticize the KMT, the ones they should have been criticizing. They especially got all wound up in criticizing their own people. Psychologically, people felt greatly threatened by them and naturally feared them. They then got all puffed up. While we were in jail, we criticized them, earning their displeasure. It was unpleasant for both sides. At first, after leaving jail, we didn't join the party. We merely hoped that the DPP would develop well. We later toured the province, making some 20 speeches. At the time, they repeatedly called on us to join the party, join the party. When we did, we found that party work was done mostly by their people and that the membership rolls were all under their control.

When party members were electing representatives, their situation was quite clear. However, I didn't know where to start from. Nevertheless, the vast majority of those

within the party who held public office, including Legislative Yuan members, National Assembly representatives, and provincial and municipal legislators, all understood me and supported me. As a result, I won, defeating Yao Chia-wen. Even the cousin of Yao's wife, Ts'ai Chia-hsiung [5591 0857 7160], voted for me and didn't vote for Yao.

Yao Chia-wen himself was originally on my side. Later, people in the New Tide faction, because they themselves had no influence, at the very beginning endorsed Chiang P'eng-chien [3068 7720 1017] for chairman and, successively, Yao Chia-wen. In fact, these two were not key figures in the New Tide faction. All decisions were made by the group of young people.

During DPP elections, a 31-member executive committee is elected first and then the standing committee and chairman. I nominated 16 of them. If I won each of them, that's all I needed. My purpose was to cause the others to lose. Suddenly, they came up with a new trick, demanding that the chairman be elected by direct vote of the party representatives. They wanted to topple me. When I was asked to speak at the meeting, I said: "My good friends who are here, you people who are very fond of me, please do not vote for me. This would not be in my interests. But if you need me to work jointly with you for Taiwan society and the DPP, then vote for me." When the ballots were counted, I had won. I had no intention to oppose them. However, many of those who held public office had been treated too highhandedly. I couldn't get use to this. At each meeting that I presided over I did my best to let them speak whenever there was an opposing view. After they finished speaking, I would then make the ruling. It often happened that the New Tide faction would take up more speaking time than the Formosa faction. I would then impartially and objectively assert myself. Now, with regard to this affair about extending the term of the chairman and his reelection, even if I approved of issuing a resolution to extend the term, it would be a bad idea. We should adhere to the party constitution and have the election according to schedule.

[Lu] Has it been decided to have elections for the chairman?

[Huang] It's been decided. We will elect representatives on 20 September and the chairman on the 28th.

[Lu] Do you want to run for another term?

[Huang] It doesn't seem to be a problem if I want to run for another term. However, it has cost me a great deal of money to be chairman. My wife knows that I'm living the life of the big spender from Shanghai, of a rich uncle. She's not much in favor of me continuing as chairman. She says, I've done one term and spent 10 million. That's enough. She recently took ill in New York. In a few days, I'll visit her, and we'll talk it over. I'll make my final decision after that.

[Lu] What, in the final analysis, are the main differences between the New Tide faction and the Formosa faction?

[Huang] They have never specifically talked about them in front of me. All they do is make up rumors, saying I belong to the ruling clique or that I'll give Taiwan to the communists. Speaking quite frankly, my financial situation is not all that bad. How could I have any love for the communist party? A fine thing has recently happened in Taiwan. A number of leftist leaders who used to beat the drum for socialism have, since the opening occurred, rushed over to the mainland for a look. They no longer dare talk about it.

[Lu] Can you talk about your views on the independence issue?

[Huang] I have my political ideals, which are to build a democratic, free, and prosperous Taiwan. If Taiwan wants to be independent, I'm certainly not against it. The question is, how are you going to effect "independence" so that everyone can feel comfortable with it. If you talk up independence, the KMT is not going to approve. They are really the ones who like independence the most. But if they were to announce for independence, the central government parliamentarians would lose their reason for being. The KMT would have to forfeit a vested interest. The central government parliamentarians are a great asset to the KMT. For example, they will pass whatever laws the KMT wants passed and appoint or dismiss any official that the KMT wants appointed or dismissed. They are a mechanism created to maintain KMT political power. Therefore, the KMT will do everything in its power to hold on to their so-called "legal rule" while proposing to "unify China under the three people's principles." It is, in fact, nothing but a lot of talk. They have never done a thing.

I don't think I know whether independence is right or wrong. The mainland is also not absolutely opposed to the independent position that Taiwan now maintains. But it can't be publicly talked about. If Taiwan openly declared its independence, Tibet, Xinjiang, and Inner Mongolia would want to be independent. It would affect domestic politics on the mainland, and then they would have to strike. They wouldn't have to send troops. They would merely have to aim two missiles at Ali Shan. "Boom! Boom!" And all the rich in Taiwan would be frightened into fleeing. This would create problems for Taiwan's industry and its economy. No, its not independence that I oppose. What I'm concerned about is how to maintain Taiwan's stability and prosperity. This is even more important.

The United States and Japan, in their hearts, want Taiwan to be independent. But when they consider the influence of the Chinese Communists on the world strategic situation, they don't dare openly support Taiwan independence. They are afraid of offending the mainland. This is all quite clear. If a person works for independence, the government will arrest him and the communists will hate him. If a person makes too big a

fuss about independence, then the KMT and the communists will unite to deal with him. This would be bad for the entire opposition movement. If, because of the continuous calls for independence, the government should declare independence, then I too would likewise call for independence. The government is not only not going listen to these calls, it will strike back and put the opposition movement in an extremely unfavorable position. The call for independence has already been made, and it hasn't been heeded. The second method would only be rebellion. Would you have the nerve to rebel? Has the groundwork been laid? Are the conditions ripe in Taiwan society for rebellion? Everyone in Taiwan society is striving for stability and prosperity. Who would follow you in rebellion? If the populace were to have a plebiscite urging independence for Taiwan, the government absolutely would not permit it. What would you do then? Have you considered if you want to expend so much equity? It's not all that simple.

I propose that we temporarily not talk about independence and instead earnestly develop democracy. Look at Taiwan's present situation. We're doing everything on our own. We certainly don't listen to the communists. If we are to maintain Taiwan's prosperity, it would be best if we keep on developing this way. How should we develop? We should develop according to the principles of freedom and democracy.

To love freedom and strive for democracy are in man's nature. Who doesn't want to make his own decisions? It is universally acknowledged all over the world that human rights are naturally endowed. The political tides in the world are moving in this direction. Neither the KMT regime in power nor the communists, who don't pay any attention to principles, dare to oppose the democratization of Taiwan. Aren't people being quite unrealistic to deliberately emphasize independence when a situation beneficial to 20 million people is placed before them and they don't take advantage of it?

For those people who are simply looking for independence, let them move to China, to the Soviet Union, or to Cuba. Aren't they all independent countries? And take Canada, strictly speaking it can't be considered an independent country. It still has the queen of England as its head of state. Only its prime minister is its own. Why do so many people emigrate to Canada? Because it is free and democratic, that's why.

People like us who are involved in politics have to have a plan, we have to know what measures to take to achieve our goals. We have to know what to do first and what to do later to achieve the greatest results with the least harm being done. The New Tide people are calling for a new country and a new constitution. "New" is a common adjective, as in "new shoes." Now are these leather shoes or are they cloth shoes or are they perhaps "ge" shoes [The use of "ge" is a play on words. It can mean either "leather" or "revolutionary."] This should be made clear. Simply seeking the new won't do. A number of African countries, the new countries there,

have after all become fascist dictatorships. Take, for example, Ethiopia. It wanted to become socialist. As a result the entire country became famine-stricken. So, you see, just because it's new doesn't make it good. Another example is Iran, originally an old country. The Pahlavis wanted a new country. As a result, the entire Iranian people suffered. Therefore, it's not enough to only call for a "new country." Calling for a new country of freedom and democracy is about on target. I propose drawing up a constitution on the basis of 20 million people and building a free and democratic country with an entirely clean society.

We now have to look at the elections. This year's winter elections are a test. We have to see which of our appeals elects the largest number of candidates. If they elect fewer than we do, then the issue is naturally settled. If someone wants to make a fuss about it, it won't do any good.

[Lu] Do you have to have an election platform for the DPP as a whole?

[Huang] We do have a platform. Our platform is a splendid platform. It explains things clearly and in a down-to-earth way. It is not irresponsible.

[Lu] Hasn't your party already developed internal differences over the issue of nominations?

[Huang] Originally, I was not in favor of a primary election. They definitely wanted one. Okay, we'll have a primary. The result was that most of those nominated did not go through the primary election. Only 10 percent took part in the primary.

The KMT originally wanted to exploit the primary election to cause the DPP trouble. But very few things went wrong. Because of the primary elections, the KMT sapped their own vitality. There were mutual attacks and the malicious remarks all came out.

We don't have to expend too much effort in participating in this year's election. All our election workers have to do is to sort out the mutual denunciations that KMT members have been making about each other and present them to the public. We'll then win the election, since these things have all been said by the KMT and don't apply to the DPP.

[Lu] What other action is the New Tide faction likely to take?

[Huang] I don't know. They don't have any political ideals. They just want to be boss. However, to be boss you have to have leadership ability and the brains to lead. They don't care who wins the election or who wields power, they just want the people to elect them. I'm not looking for personal gain or factional advantage. We are very clear on this. I want to devote my efforts to freedom and democracy for the people of Taiwan. I want to guarantee that the people can, on their own, in a democratic fashion and through the exercise of free will, maintain their dignity and that Taiwan can, on its own,

in a democratic fashion and through the exercise of free will, maintain its sovereignty. Our political program for this election demonstrates this important point.

[Lu] Elections in Taiwan require a great deal of money. With the DPP taking part in this election, are there financial problems?

[Huang] There are problems. The KMT has a lot of money. Their budget calls for spending 20 billion. Our 20 million is hardly enough. We only spend what we have to, for example, on such things as public halls, sound trucks, passing out leaflets, and organizing rallies.

[Lu] Given this situation, what percent of the votes do you estimate the DPP will get?

[Huang] I'll tell you what I see. We will take 10 counties and cities. This is my most conservative estimate.

[Lu] What are you basing that on?

[Huang] On the fact that our Taiwan opposition forces won 14 county magistrate positions in the past election.

[Lu] It's not the same period.

[Huang] It's not, but I'll lay it out for you. Keelung Municipality, Lin Fan-wang [2651 5603 3769]; Taipei Municipality, Kao Yu-shu [7559 3768 2885]; Taoyuan County, Hsu Hsin-liang [6079 0207 5328]; Hsinchu Municipality, Shih Hsing-chung [2457 1840 1813]; Tainan Municipality, Tseng Wen-po [2582 2429 3134]; Chiayi Municipality, Hsu Shih-hsien [6079 0013 6343], who is the mother of the current mayor, Chang Po-ya [1728 0590 7161]; Changhua Municipality, Huang Shih-ch'eng [7806 4258 1004]; Tainan Municipality, Yeh T'ing-kui [0673 1694 3802]; Kaohsiung Municipality, Yang Chin-hu [2799 6855 5706]; Pingtung County, Ch'iu Lien-hui [6726 6647 6540]; Taitung County, Huang Shun-Hsing [7806 7311 5281]; Hualien County, Yang Chung-ching [2799 0112 7650]; and Ilan County, Ch'en Ting-nan [7115 1353 0589]. In the past, the DPP hadn't been established. Our opposition movement was able to achieve victory one by one. Now that it's party against party, victory is even more certain.

[Lu] The KMT is the party in power. Compared to the DPP, it has the upper hand in organizational work, in propaganda, and in finances. Are you really that certain about the outcome?

[Huang] What you say is true. However, the KMT has not won the affection or the will of the people. The DPP definitely has the upper hand in this respect. Moreover, the people have been greatly frightened by the corruption of the KMT these last few years. For example, everyone bets on the lottery. Even the average housewife is gambling on the stock market. The rich are actively grabbing up all the land for building sites to the point where there's no more land to grab. They're even grabbing up mountain property. Whereas the common people can go for a generation without hope of buying their own house,

some 70 golf courses are now in operation. Even Justice Minister Hsiao Tien-tsang had problems and threw up a smoke screen.

[Lu] Mr Huang, you mention the corruption of KMT officials. I'm afraid that in Taiwan it hasn't been limited to the KMT. Won't the Chou Po-lun [0719 0130 0243] case also be likely to affect the DPP?

[Huang] The Chou Po-lun case is bad. It is having an influence on the DPP's reputation. However, what you may not know is that there were several tens of KMT members involved in the unpleasant aspects of this case. The Chou Po-lun case is definitely not over. It could be that some of these people will still be arrested.

[Lu] You just mentioned that the KMT had failed to win the people's affection. As the party in power, it is naturally vulnerable to attack. In your view, what are the issues that the common people are most dissatisfied with as far as the KMT is concerned?

[Huang] The KMT's 10,000-year parliament is an international laughingstock. This point alone is hard enough to explain to the common people. There's nothing like the KMT anywhere else in the world. It's not how old the Legislative Yuan members or the National Assemblymen are. The issue is that they weren't elected by the people and they are forcibly occupying parliamentary positions. Democratically, it cannot be explained away.

[Lu] How big a victory are you predicting for this year's yearend election? Last time, you won about 30 percent of votes. How about this time?

[Huang] There'll definitely be 25 Legislative Yuan members.

[Lu] Is it likely you'll win so many? You have only 13 now.

[Huang] Now there are 13, but next session there'll be 25. There will also be 25 provincial legislative members elected. Each of the 21 counties and municipalities will, without question, elect more than one. That leaves the professional organization. The very least of the candidates can get 25 percent of the votes. Even if they're inactive and they let nature take its course, at least one out four of the electorate dislikes the KMT. That's 25 percent. Add 8 percent for those who work hard, and the total vote taken comes to 33 percent.

[Lu] But your party's internal fighting is terribly intense. For example, at Yunlin, Chu Kao-cheng [2612 7559 2973] and Huang Erh-hsuan [7806 1422 3872] were locked in a fierce struggle. Do you mean to say this won't dissipate your strength?

[Huang] This is true. When I heard about it, I was very sad. The KMT wants to pull Chu Kao-cheng down, but they can't. Why would your New Tide help the KMT pull him down?

[Lu] Chu Kao-cheng says that everyone, both on and off the island, has a different evaluation. Do you?

[Huang] To be a good member of the Legislative Yuan you need various types of qualifications. In Taiwan the most important qualification is not to be afraid to offend people. This is Chu Kao-cheng's strong point.

[Lu] What did you actually support at Yunlin?

[Huang] At present, the final step still hasn't been taken. If Huang Erh-hsuan is nominated, we will, of course, support him. I'm extremely interested in what Chu Kao-cheng finally does. We have to see how the situation evolves to know how the future will develop. Nevertheless, looking at the situation as a whole, the DPP is set to win.

[Lu] Even if the election situation is as you predict, you still have to elect a chairman in September. Isn't changing commanders on the eve of battle detrimental?

[Huang] Since the party constitution stipulates this, we cannot just arbitrarily change it. If we did, wouldn't it be same as the KMT's provincial articles? That wouldn't be any good.

[Lu] From the looks of things, the possibility of your continuing in the position is quite strong. If it's not going to be you, who do you predict will be DPP chairman?

[Huang] The question, first of all, is do I want to continue to do the job? Second, if I don't continue, who would be suitable? Everyone has to think about this. To be boss, you have to have the proper stature. It can't be just any Tom, Dick, or Harry.

[Lu] Why have the papers in the last few days put forth the possibility of "old" K'ang succeeding to the post of DPP chairman?

[Huang] I could be disposed to let "old" K'ang do it. He's a little more well-rounded. I asked someone to contact him, and he responded by saying, "Tell the old man not to give me trouble. Give me some time to run this newspaper (SHOU-TU JIH-PAO)."

[Lu] How would you feel if the New Tide faction were to put up Yao Chia-wen for chairman?

[Huang] Yao Chia-wen is also quite busy. His wife, Chou Ch'ing-yu [0719 3237 3768], is running for magistrate of Changhua County. He wants to help all he can.

[Lu] It looks as if the DPP will still be led by you.

[Huang] I would work very hard.

[Lu] What do you see for Taiwan's future?

[Huang] This has to be separated into several aspects. Politically, Taiwan has to be democratic. If it isn't, it has no future. The KMT denounces the mainland for not being democratic, but they themselves aren't democratic. It's difficult to explain to the populace why there hasn't been an election for the National Assembly for 40 years. I have

always advocated that the whole parliamentary apparatus of the central government be reelected. We definitely must do this. Until now, the radio and television stations, these broadcasting organizations, have all been monopolized the KMT, a single party. This also must be changed. Taiwan must do away with these improper things in order to influence the mainland. Economically, we must put into effect a free economy and destroy special privilege and monopolies. Many of the industries in Taiwan that are making a profit are protected by special privileges.

[Lu] Wang Yung-ch'ing probably doesn't have special privileges, do they?

[Huang] They do.

[Lu] You just spoke about Taiwan building democracy to influence the mainland. What are your views on the mainland's 1989 democracy movement and the 4 June massacre?

[Huang] No matter what you say, you can't justify using methods on the populace that you would use on your enemy. From a long-range point of view, irrespective of how the Chinese Communist Government plans to suppress the democracy movement, it can't be suppressed. It will flourish and develop even more because of the cruel repression it suffered. It's only a question of time. The 1911 revolution and the May 4th Movement both gave impetus to historical progress. Those who died did not die in vain.

[Lu] You're looking at things from a long-range point of view. The wheel of historical advance cannot be stopped. Please, can you tell me if the your DPP has formulated a basic policy with regard to the Chinese Communists?

[Huang] Our course of action with regard to the CPC is not too clear. We still must continue to understand where, in fact, their defects lie. Our main hope is that we'll get along with them in peace. We don't want to see them defeated. We hope they will continue to reform and open up to the outside world. We are also unwilling to have them obstruct our development. Since I don't understand them, I can't speak to what we should do with regard to some of the deeper layers.

[Lu] If the Chinese Communists wished to have a dialogue with the DPP, would you be willing?

[Huang] This is what I think, and I've said it in the DPP as well. Each has a need to understand the other side. Many issues occur from a lack of mutual understanding. If there is mutual understanding, then, even if issues occur, they are easily settled.

[Lu] Will you take the initiative to propose a dialogue with the Chinese Communists?

[Huang] The most important thing that I want to do at the end of this year and the beginning of the next is to win this election battle. I'm not even thinking about anything else. The only thing I'm thinking about is how to beat the KMT.

[Lu] As far as the DPP is concerned, is it your purpose to replace the KMT as the party in power?

[Huang] Yes, it is. However, the present situation requires that we undergo parliamentary elections. Controlling the power of the central government is not possible. We therefore have think of a new means of beating the KMT.

[Lu] What new means? Can you talk about that?

[Huang] I'm always open and aboveboard when I do things. There's nothing I can't talk about. Today is 25 August. Tomorrow I fly to Los Angeles where I'll stop over for 2 days. On the 28th I'll fly to New York to see my wife. On the 30th, I'll fly back to Taiwan. On 1 September at Panchiao Gymnasium in Taipei, we are holding a mass rally to pledge support to the DPP candidates for the positions of county magistrate and municipal mayor. I will supervise the pledges. Everyone is uniting in their dedication to join in the election battle and pledging to fight for victory.

Because the KMT is using the provisional articles to occupy the central government positions, our DPP must work for county magistrate and municipal mayor positions. With DPP candidates elected as heads of 10 counties and municipalities, we can unite to do a great many useful things for the people.

[Lu] In the past, Mao Zedong employed the strategy of "surrounding the cities from the countryside" to defeat the KMT. The strategy that you are now employing is "surrounding the central government from the counties and municipalities," which can also be regarded as being creative. Only there's one problem, and please don't take offense, but isn't your absolute faith in this somewhat overly optimistic?

[Huang] No, no. It's not too optimistic. I am certain. We are bound to win at the end of the year.

Realities of 'Two Countries, Two Governments' Concept

90ON0091A Hong Kong MING PAO in Chinese
6 Oct 89 p 9

[Article by Chin Hsuan-wei (6855 3531 3555)]

[Text] The Chinese People's Republic premier, Li Peng, mentioned at an international news conference that implementation of the "three exchanges" was to enable the people of the "two countries" of Taiwan and the mainland to have greater contact with each other. It so happens that the day before there was a similar instance when Republic of China Executive Yuan president, Li Huan, was answering inquiries in the Legislative Yuan concerning relations between the two shores. He said that the purpose of the current study and discussion of provisional regulations regarding relations between the people of the Taiwan region and the mainland region was to establish a legal framework for the people-to-people contacts of the "two countries."

According to Freudian psychological analysis, a "slip of the tongue" is basically the "reemergence" of a psychological consciousness and a psychological state of mind. Thus, a psychological basis can be sought for all "errors." When, even though separated by the vast waters of the Taiwan Strait, Beijing's highest executive official and Taipei's highest executive official one after the other in unison commit the same slip of the tongue, it would seem that Freudian psychology could, to a considerable extent, be used to understand this.

We might even be able to find actual instances that relate to this type of slip. The Chinese Communists consider foreign support for the 4 June "revolt" crude interference in internal politics. By the same token, if there were foreign intervention in Taiwan relations, it would, of course, be barbarous interference in internal politics. What is interesting is that, when Chinese Communist Foreign Minister Qian Qichen attended the UN General Assembly, he actually asked that the United States stop Taiwan from engaging in its policy of "flexible diplomacy," obviously opening wide the main gate of "internal politics" and requesting foreign interference.

Li Teng-hui publicly admits that the Republic of China's power of government does not currently extend to the mainland, and by being forced to rely on a third country to arbitrate Taiwan's internal politics, Qian Qichen proceeds to show that the People's Republic of China's power of government does not extend to Taiwan.

Reality looks like an illusion, and an illusion looks like reality. In the final analysis, which country is which?

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